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Editorial AS WE SEE IT

To us it is as disheartening as it is astounding how prevalent the notion seems to be that individual liberty and maximum economic achievement are incompatible. Hardly a day passes that some public statement, often from high official sources, does not appear which seems to imply that a choice must be made between the two. All too often it seems that we tend to meet the challenge of Russian achievements in substantial part with a reiteration that individual freedom is more important than material progress. Certainly, in our own domestic sphere we have long ago developed the habit of preaching the need for "stimulating" greater "growth" and for paternalistic care of the unsuccessful, while dismissing our earlier belief in individual initiative with a shrug of the shoulders and not infrequently with some sort of implication that these earlier tenets of ours stand in the way of the kind of material progress that we must have in the future.

Whatever the President's intentions, one passage in his State of the Union message [Full text on page 25, Ed.] could be interpreted as half conceding economic superiority to the Communist form of social and economic organization and control. At one point he remarked:

"The Communists can present an array of material accomplishments over the past 15 years that lend a false persuasiveness to many of the glittering promises to the uncommitted peoples."

"But in our scale of values we place freedom first—our whole national existence and development have been geared to that basic concept and are responsible for the position of free world leadership to which we have succeeded. It is the highest prize that any nation can possess; it is one that communism can never offer. And America's record of material accomplishment in freedom is written not only in unparalleled prosperity of our nation, but in the many billions we have devoted to the reconstruction of free world econ-

(Continued on page 28)

What's Ahead for Business and Stock Market This Election Year?

By Walter Maynard,* Senior Partner, Shearson, Hammill & Co., Members N. Y. Stock Exchange; Member of Board of Governors of the Exchange.

Mr. Maynard predicts that in 1960 the stock market will have the benefit of a strong business background, rising earnings and higher dividends. It will, however, feel the weight of increased competition from long-term bonds and increased issuance of newly created stocks. Political hazards will also have a tempering influence. On balance, the author says, the trend should be upward throughout the year, but gains will be less than in 1959 and selection more difficult. Among groups he singles out for especial attention are capital goods industries and issues favored by the progress of invention. Bargain hunters are urged to consider oils and building stocks.

To form a valid judgment on the future of the stock market at a time when prices have been rising strongly for more than two years, and when a national election impends, is an interesting assignment. A rational approach to the problem is to examine some of the more important trend-influencing factors, endeavor to assess their relative strength, determine which sectors of the market will be most influenced by them, and then arrive at some specific suggestions for action.



Walter Maynard

Four important trend-making factors are (1) the course of business, (2) factors affecting the quality or inherent value of stocks, i.e., earnings, financial position and the like, (3) supply and demand factors within the stock market itself, and (4) the general area of sentiment or expectations.

With respect to the course of business, high

activity seems virtually assured for a good part of the year by last year's steel strike and its aftermath of depleted inventories in wide sectors of the economy. This circumstance will be reinforced by rising demands for capital goods, and this, combined with the country's growth, means continued satisfactory levels of general business activity for at least 18 months to come.

Turning now to what at this juncture seems a more important price-making factor, we come to the qualities of stocks themselves. With respect to the dominant consideration of earnings, we had a glimpse last year, in the second quarter, of the kind of earning power that industrial leaders can develop when the new Federal Reserve Board Index stands at, say, 166 or so, the level which will again be reached in the present half-year. Earnings on the Dow average in that quarter were at an annual rate of about \$44.00 per share, and this rate of earnings may well be duplicated, or moderately exceeded, in the next six months. This means that the average is currently selling at some 16 times earnings, neither low nor high by the standards of recent years.

Expects Dividend Increases

The dividend-paying capability implied by these earnings is relatively high. Last year business was unable to accumulate inventories at as high a rate as would have been desirable in the light of developments, and capacity limitations seem likely to inhibit much inventory accumulation in the next six months. In addition to inventory considerations, business has not been adding to new capital facilities at a very high rate, nor will it probably be able to achieve new records in this respect until 1961, so this in turn implies no vast additional drain on cash flows. Finally, depreciation reserves of business will continue to increase. This means that dividends now being paid are well covered and thus of high quality. Moreover, it seems logical to forecast a further increase in dividends of all corpo-

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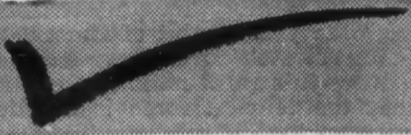
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VICTOR P. ROSASCO, Jr.
Baker, Simonds & Co., Inc.
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Wyandotte Chemicals Corporation

Wyandotte Chemicals Corporation is ready to meet the expected increase in industrial activity during 1960-61. The management group, headed by Mr. Robert B. Semple, which was brought into the company during the last decade has almost completed the most ambitious expansion program ever undertaken by this 70-year-old firm. Substantial efforts have been devoted to research for new and improved products, to expanding the company's market area, and to increasing profit margins through more efficient plant operations. As an important participant in an industry whose production has grown twice as fast as general industrial production in the last decade, Wyandotte's possibilities for substantial future growth seem outstanding.

Wyandotte traces its early origins to the 1890's when the company was first established by Capt. John B. Ford. The present corporation is a result of the combination in 1942 of the Michigan Alkali Company and the J. B. Ford Company. Public ownership began in 1956 when 100,000 shares were offered by the descendants of Capt. Ford at a price of \$26.50.

The company's many products can be classed in three general groups:

- (1) Wyandotte through its Michigan Alkali Division is one of our country's largest producers of basic heavy chemicals foremost of which are chlorine, soda ash, caustic soda, and glycols. These products tie Wyandotte's production levels very closely to general industrial activity as they are sold to almost every basic industry.

The new Ceismar, La. Works located near Baton Rouge is the most formidable example of the company's expansion. Costing an estimated \$37 million, this installation is one of the most modern of its kind in the world and is strategically located to further expand Wyandotte's markets for ethylene oxide, ethylene glycol, caustic, and chlorine. Abundant supplies of raw materials and necessary labor, excellent water and rail transportation, and land for future growth are readily available.

(2) With very few exceptions each of the 500 largest industrial corporations in the United States can be listed as a Ford Division customer. This division produces detergents and sanitizing products which include cleaning materials, washing compounds, bleaches, and degreasing materials used by the railroad and aircraft industries.

(3) The General Products Division produces and sells miscellaneous products such as cement, coke, and coke by-products.

Sales for nine months ended Sept. 30, 1959 were reported at \$70,345,000, up 20% from the comparable period in 1958. Earnings for this period increased 82% over 1958. After preferred dividends this amounted to \$1.95 per common share on 1,426,233 shares outstanding. Earnings for the year 1959 are estimated at \$2.60 to \$3.00



Victor P. Rosasco, Jr.

per share. Although fourth quarter results (not yet reported) may have been adversely affected by the steel strike, it is reasonable to assume any lost sales volume and a substantial part of related earnings will be recouped in the first half of this year. As industrial activity picks up at an even faster rate from its low 1958 level during coming months, further increases in Wyandotte sales and earnings can be expected.

In the five-year period 1954-58 sales per dollar of gross plant ranged from 56 cents to 71 cents, an average of 62 cents. Full utilization of the Geismar facilities could therefore add approximately \$23 million to Wyandotte's sales. A resultant increase in earnings per share of \$1.20 after taxes based on a 15% pre-tax profit margin is a reasonable expectation. Inspection of income statements for the period from 1954 to 1958 reveals an average annual cash flow of \$6.00 per share.

Wyandotte Chemicals Corporation common stock is traded in the Over-the-Counter Market at a current price of \$56. Dividends of \$1.00 per share annually which have been paid since the public offering in 1956 averaged 40% of 1956-1958 earnings. Wyandotte common is recommended for inclusion in individual accounts where long-term capital appreciation rather than current income is the objective.

BERTRAM SELIGMAN

Resident Manager, Straus, Blosser & McDowell, New York City
Assembly Products, Inc.

The reasons for liking Assembly Products, Inc. is because it is a young and vigorously expanding electronics organization which has tapped a virtually unlimited market base encompassing the full range of modern industry.

Also important is the fact that Assembly Products, Inc. is one of the relatively few electronics companies with sales centering primarily on commercial and industrial markets.

Exceptional price appreciation appears to be inherent in the dynamic sales and earnings growth being registered by this research-minded organization which has pioneered in control function instrumentation.

Available financial records show an unbroken pattern of sales growth from a volume of \$392,443 in 1952 to \$2.17 million last year, representing an approximate 450% increase over this period. An increase to \$3.1 million is expected in 1959 with a further increase to the area of \$4 million indicated for 1960.

This vigorous growth trend reflects the continuing development of new horizons for future expansion as a result of an aggressive and fruitful program of research and development involving expenditures averaging 7½% of annual sales. This program has paid off in the development of a line of electro-mechanical instruments which are uniquely adaptable for use as critical elements for electronic control systems which can be both highly sophisticated in



Bertram Seligman

**This Week's
Forum Participants and
Their Selections**

Wyandotte Chemicals Corp. — Victor P. Rosasco, Jr., of Baker, Simonds & Co., Detroit, Mich. (Page 2)

Assembly Products, Inc.—Bertram Seligman, Resident Manager, Straus, Blosser & McDowell, New York City. (Page 2)

function and outstandingly economical from the standpoint of final cost including materials, labor and engineering. In consequence, the company's products meet the equipment budget requirements of all classes of manufacturing companies ranging from relatively small companies to the giants of American industry.

Recent plant expansion provides an approximate 35% increase in capacity.

A typical example is the aggregate cost of \$800,000, involving a payout period measured in months, for an automatic control system built around one of the company's standardized Versatrols. This control system paid off in 33% more production per machine in an operation involving the automatic grinding of steel balls to a tolerance of plus or minus .0005 inch. Equally remarkable is the fact that the standardized and highly economical Versatrol can be used for such diverse functions as the controlling of thickness, torque, current, voltage, radiation, pressure, viscosity, hydrogen-ion, concentration, light, speed, load, etc.

The flexibility and versatility of the company's product developments is further underscored by a Scanner initially developed for monitoring temperatures from minus 200° F. to plus 3000° F. A single Scanner can monitor as many as 24 stations making up to 12 stations checks per minute. The same control can be used for monitoring thickness, torque, current, voltage, radiation, pressure, speed, etc.

More recently, a major new area of sales growth has been opened up in the field of specialized control systems. A typical example is the control system designed for use in conjunction with advanced stretch forming equipment developed by the Cyril Bath Company. This \$2,300 control system which includes some of the functions of a simplified electronic brain, studies and analyzes stress-strain data supplied, thereby determining and "remembering" the yield point of the metal being stretch-formed, and then utilizes this information to ensure that the tension force is applied only up to the safe maximum of the metal.

Entry into special control systems represents a logical extension of the company's pioneering activities in control function instrumentation. This program, instituted in 1947, centered initially on the development of a proprietary line of contact meter relays. These versatile instruments combine the exceptional response sensitivity of a jewel-pivoted moving coil meter with a positive-control relay circuit possessing a contact life expectation of 10 to 20 million operations. Flexible limits of relay action are provided for by adjustable pointers and the sensitivity of the instrument makes it possible to operate on a direct unamplified signal which may be as small as two ten-millionths of an ampere.

The concept of combining standardization of basic design with maximum flexibility of function is developed to an unusual degree in the "Liad"—an instrument designed to convert analog informa-

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Impact of Tight Money on Utility Financing Costs

By Robert L. Schlesinger,* Chief Financial Consultant,
Ebusco Services, Inc., New York City

In reviewing effect of tight money upon utility financing costs, Mr. Schlesinger declares study of average, representative electric companies since 1950 shows their stocks outperformed representative index of industrial stocks against which a fair comparison can be made. He calls attention to life insurance industry's growing interest in preferred stocks because of the new tax law's impact, and advises utilities to consider the relative value of dividend and interest yields to insurance companies when estimating near future preferred stock financing costs. Moreover, the utility financial analyst denies present debt ratio of electric utilities is high. Further, the writer anticipates higher interest rates for 1960 as a whole—lowering somewhat, however, in the latter half.

The present tight money market has created the most restrictive money condition in over a quarter of a century. In fact, we must go back over 30 years to match the rates paid by the U. S. Government on its recent financings.



Robert L. Schlesinger

Current yields on new bond issues of utilities, therefore, represent a stark contrast to the 2.39% yield obtained in January 1946 by Madison Gas & Electric Co. This is the lowest electric utility bond yield of which we have a record. The Georgia Power bonds that were offered to the public last September on a 5.65% basis represented the highest yield in about 25 years on an electric Company issue rated "A" by all the rating agencies.

A number of reasons lie behind this sharp rise of interest rates. The demand for money has been simply tremendous. At the same time, the Federal Reserve has employed a restrictive policy designed to retard inflation. Large scale spending due to the cold war has also contributed to increased money costs.

There are many questions that bear upon this problem. What is the outlook for business, plant and equipment expenditures, inventory build-up, and consumer credit? Will future Federal budgets produce more deficits? Will Congress raise the ceiling on long-term Treasury interest rates? What will be the future policy of the Federal Reserve in controlling the cost and availability of credit? What will be the impact of the Presidential election? Will this country's balance of international payments continue in the red? Will the outflow of gold continue? Now we do not propose to give categorical answers to all these questions. However, a review of some of the underlying factors affecting the present cost of capital should indicate why money is tight. Some reasonable conclusions can then be made concerning the outlook.

Reviews Recent Developments
First let us quickly examine

some of the more recent developments. During the past year there has been a large demand for funds from many sources: from business, individuals, municipalities, and from the Federal Government. When viewed from the standpoint of the over-all demand for funds, 1959 witnessed an almost unprecedented peacetime increase. A decline in security offerings by business was more than offset by a sharp rise in new real estate mortgage financing, causing a net increase in the demand for long-term funds. The demand for short-term funds grew intensely in 1959. This was primarily attributable to a sharp increase in consumer credit and bank loans to business. The large increase in the Federal debt in 1958 continued at an accelerated rate in 1959. It may be recalled that a Federal Government deficit of \$12.5 billion was incurred in the fiscal year ended last June.

Looking ahead to 1960, the demand for long-term funds may be relatively steady near the high level experienced in 1959. An increase in security offerings by corporations probably will be offset by a decline in real estate mortgages, just the opposite of the '59 pattern. A large demand for short-term funds in 1960 will substantially reflect a high rate of consumer credit and business loans. A possible decline in the Federal debt may be realized, assuming the Government moves from a deficit to a surplus position. The expected result would, therefore, be an over-all decline in the demand for funds in 1960. Since this may be basically attributable to an improved operating position of the Federal Government, it is not indicative of any lessening of demand for short-term or investment funds.

Of particular significance in 1959 was the availability of a substantial supply of funds from individuals and also foreign investors. These sources, together with short-term investments in Treasury securities by business, were particularly active in acquiring government securities issued by the Federal Government as well as those sold by banks to obtain lendable funds.

Certain additional indicators of the rising demand for funds are apparent. Loans by commercial banks reached a record level of about \$108 billion last September. This is an increase of al-

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OBSERVATIONS...

BY A. WILFRED MAY

BOOM-AND-ABUSE AGAIN

The SEC has this week made an epochal move in its career of regulatory service, now in its 26th year. Its proposals for the adoption of new proxy rules requiring detailed disclosure of mutual funds and their investment advisers, represent a step toward removing the major abuse entailed in the interlocking relationship between the mutual funds and their advisers.

Background

We first pause for "station" orientation! The occurrence of boom in any activity sooner or later brings on major abuse. But, despite our so ardent efforts, this process remains unpreventable. As the British have learned a long time ago, no statute, irrespective of how brilliantly devised and diligently administered, can permanently forestall wrong-doing. Nor can honesty be legislated without continuing watchfulness.

We are now witnessing a perfect demonstration of this process of statute-eluding malfeasance on that boomiest scene of the still booming speculative stage, namely that which domiciles the mutual fund operations. The relevant provisions of the Securities Exchange Act of 1934 combined with the restrictions subsequently imposed by the Investment Companies Act of 1940 and the so-

called Statement of Policy, jointly sponsored by the industry in 1951, quite successfully dealt with the major category of abuse which had been perpetrated in the speculative orgies of the 1920s.

The sensational fund-abuses of yesteryear had been largely centered in "corporate shenanigans," as super-pyramiding, and self-dealing of various kinds including securities "dumping."★ But, true to form, now boom-inspired greed has again vaulted over to two other areas in the industry—this time those connected with (1) selling activities, and relationships between the funds and their advisers; and (2) selling techniques vis-a-vis the retail fund consumer.

Today's Abuse

It is with the former type of abuse, particularly in the currently wholesale trafficking in management contracts, that the SEC — along with a minority of sophisticated and objective observers — is now actively seized. As explained before by the Commission, "In view of

*cf., for ex., *Investment Trusts Gone Wrong*, by J. T. Flynn (1930); *Wall Street Under Oath*, by F. Pecora (1937); *False Security*, by B. J. Reis (1937); *Hearings on H. R. 10065 Before a Subcommittee of the House Committee on Interstate and Foreign Commerce*, 76th Congress 3d Session 63, 95-100 (1940).

the significant role ordinarily occupied by the management of the investment adviser by reason of its strategic position through the investment advisory contract and interlocking relationships with the investment company, the commission has been concerned as to the problems confronting the directors of registered investment companies in discharging their duties in connection with this relationship."

Nub of the Matter

Cutting through the technical dialectics currently raging over the question, we get to the following nub of the abuse (embodying the long-standing position of the Commission). Powers in trust derived from management should not be bought and sold as if they were the personal property of the managers. Such trading attracts persons with at least as much promotional as professional qualifications and interest, and creates conflicts of interest unlikely to be resolved in favor of the investors. This could be instanced, for example, in overemphasis on swelling the pool of investible funds (on whose size the management fees are based), and in accelerating the promotional practices engaged in by the open-enders—policies not always favoring the investment company shareholders.★★

It must be further realized that new management which is compelled to pay a premium for control, might well try to offset it in a manner disadvantageous to the security holders.

Irrespective of the legal implications of management-contract trafficking (which this writer, of course, is not competent to appraise), there can be no doubt that the lay concept of "abuse of trust" or "breach of fiduciary obligations," truly characterizes the essence of the routine.

The Legislative Routine

The obligation of management to conduct its activities on the ethical plane required of fiduciaries was spelled out in the 1940 Act in relatively broad language — (albeit including specific prohibition against self-interest on the part of the trustee against the interest of the beneficiaries).

This vagueness must be nailed down with legislative specifications, to make regulatory powers legally enforceable. Both the timetable and result of the SEC's implementing trip to the Hill are uncertain — particularly in this Election year. This adds additional importance to the proper imminent disposition of the Commission's proxy proposals.

The Pending Proposals

The pending proxy proposals, which we believe to be in the main justified, and to comprise a necessary and timely first step toward attacking the adviser problems, include additions and changes regarding solicitation, information regarding the advisory contract, information as to remuneration and transactions with the investment company and the adviser.

Their adoption, together with additional self-disciplining might well prove a major fillip to the managers in fulfillment of their fiduciary obligations.

★★cf. Hearings on S. 3580, before a Subcommittee of the Senate Committee on Banking and Currency, 76th Congress, 3rd Session.

Bregman, Cummings
To Be N.Y.S.E. Firm

Frank L. Reilly will acquire a membership in the New York Stock Exchange and on Jan. 21, Bregman, Cummings & Co., 74 Trinity Place, New York City, will become members of the New York Exchange. The firm is a member of the American Stock Exchange.

The State of
TRADE and INDUSTRY

Steel Production
Electric Output
Carloadings
Retail Trade
Food Price Index
Auto Production
Business Failures
Commodity Price Index

Calling attention to the "real progress" in the fight against inflation, the January "Survey," of the Morgan Guaranty Trust Co., the bank's monthly publication, notes that the Federal Reserve policy should prove to be more effective and the pace of wage increases is slowing somewhat compared to previous postwar periods. It cautiously makes the reminder, however, that should optimism snowball, then the estimated GNP may prove too low. Excerpts from the "Survey" follow:

The Over-All Outlook

"On present appearances, elements of strength outweigh those of weakness as the economy moves into the new year. A total of \$505-510 billion for Gross National Product in 1960 would seem a reasonable prospect. This would represent an increase of 5 to 6% over 1959, with about 1½ points of the percentage gain attributable to higher prices (if price increases in the coming year parallel those in 1959). The increase in real output thus would be in the neighborhood of 4% — significantly smaller than the 1959 gain of 7% but not surprisingly so in view of the fact that in 1960 the economy will be in a later stage of cyclical expansion.

"These favorable indications for general business activity imply a rising demand for labor. Unemployment should recede appreciably in 1960, probably dropping by the year end to less than 4½% of a total labor force which will have been swelled by as many as a million people in response to the expanded job opportunities. The economy thus would be near what is usually regarded as a condition of 'full employment.'

"Since it is highly likely that inventory accumulation will be more intense in the early part of the year than later on, the prospect is for Gross National Product and industrial production to

register their steepest gains in the first half and thereafter to rise only moderately. A reasonable expectation is that by midyear the Federal Reserve Board index of industrial production will be in the vicinity of 160% of its 1947-49 average. This would represent a rise of about 10 index points from the end of 1959. During the second half of 1960, with the anticipated slowing in inventory accumulation, the production index may show a further rise of only a point or two, averaging something short of 160 for the full year. Such a pattern of near-stability in the second half would be similar to that which prevailed throughout much of 1956 and the first half of 1957."

Signs of Anti-Inflation Progress

"The preceding analysis assumes that the increase in prices of goods and services will not accelerate in the coming year but will proceed at roughly the same pace as in 1959. Admittedly this anticipation is somewhat at variance with past experience, since in previous cycles there has been a tendency for price pressures to mount as the capacity of the economy is increasingly utilized.

"It may be argued, however, that the present situation is distinguished by two counteracting factors: (1) signs that wage increases are slowing somewhat in comparison with the previous postwar pattern, and (2) a new potency in the operation of monetary policy. The terms of the steel agreement, though they do not constitute the hoped-for noninflationary settlement, are less inflationary than the preceding pattern of wage and fringe increases in that industry since World War II. It appears that hourly employment costs for steel companies will rise by something less than 4% per annum during the term of the new contracts, whereas in the past decade the average annual increase has amounted to approximately 8%. Thus, the dis-



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Investment Bankers

Truman, Wasserman, Inc.
announce the change of name to
Wm. Stix Wasserman and Co., Inc.
Investment Bankers
70 Pine Street, N. Y. 5
Whitehall 3-7239, Cable address: Wasstix

Charles Truman
announces the formation of
Truman and Co.
Investment Bankers
60 Wall Tower, N. Y. 5

We are pleased to announce the election of

JOHN C. HAGAN, III

as President

and

HARRY C. DIGGS, JR.

as Vice President and Treasurer

of this corporation

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parity between increases in employment costs and increases in productivity has been reduced.

"And even where wage increases continue to run appreciably above productivity gains, there is likely to be a larger degree of cost absorption by employers than in previous postwar years. This is because both the stringency of money and intensified competition, including foreign competition, will work against price increases. The Federal Reserve tightened the reins on the money supply earlier and more forcefully in the present expansion than in the preceding one. In general the economy is less liquid than at any time in recent years, in the sense that the money supply is smaller now in relation to the total volume of transactions than it has been for three decades. This condition will certainly accentuate the effectiveness of Federal Reserve policy.

"If price increases are in fact no greater in 1960 than they were in 1959, the inflation psychology rampant in recent years could lose a good deal of its grip on business and investment thinking. This could have some interesting effects on interest rates, particularly for longer-term debt. Certainly one factor tending to raise interest rates and debt-security yields in recent years has been the reluctance of inflation-wary investors to put their money into long-term debt instruments. Further signs of real progress in the fight against inflation would tend to stimulate investor appetite for fixed-income securities. If this materializes to a significant extent, it could offset in some measure the upward pressure on interest rates which will naturally be generated by a rising business trend playing against conditions of monetary tightness.

"In any period of prosperity, there is always a distinct possibility that optimism will snowball, causing inventory accumulation, capital spending, and consumer expenditures to do likewise. Thus, the figure of \$505-510 billion for gross national product in 1960 may prove too low. This would give the coming year more of a sense of zest and exhilaration than is implied in the foregoing discussion, but it would also hasten the time for corrective adjustments. At present the economy is relatively free of excesses, although some developments—such as the rising trend of consumer debt—bear close scrutiny on a continuing basis. It is to be hoped that a balanced situation will prevail a year hence, as it well may

if activity moves generally along the lines which have been projected."

Bank Clearings Up 10.5% Above 1959 Week

Bank clearings this week will show an increase compared with a year ago. Preliminary figures compiled by the "Chronicle," based upon telegraphic advices from the chief cities of the country, indicate that for the week ended Saturday, Jan. 9, clearings for all cities of the United States for which it is possible to obtain weekly clearings will be 10.5% above those of the corresponding week last year. Our preliminary totals stand at \$29,210,698,390 against \$26,440,719,661 for the same week in 1958. Our comparative summary for some of the principal money centers follows:

Week End.	1960	1959	%
Jan. 9—	1960	1959	
New York	\$15,191,557	\$14,177,915	+ 7.2
Chicago	1,505,368	1,229,341	+22.5
Philadelphia	1,255,000	1,061,000	+18.3
Boston	865,536	735,655	+17.7

Complete details of the bank clearings throughout the nation appear on page 45 of our Monday, Jan. 11, edition.

Steel Users Wary of Possible Price Rise

The prospect of higher prices will put added pressure on the steel market, according to "The Iron Age," the national metal-working weekly.

With uncertainty surrounding prices, steel users will not relax their efforts to build stocks as a hedge against higher costs. This will hold true even after the market eases or after inventory levels appear adequate.

Continued demand for steel will be enough to insure production of 70 million ingot tons in the first six months of 1960, the magazine predicts. This will break the previous record of 64.3 million tons set in the hectic first half of 1959 when mills were pushing to fill pipelines prior to contract expirations.

And it will put the industry well on the way to the 130 million tons predicted for the entire year. Even a collapse in the market later in the year would not stop the industry from breaking the record 117 million tons produced in 1955.

Pressure for steel will last until the first price increase. Because the first actual pay increase will not go into effect until Dec. 1,

Continued on page 43

Singer Sings Again

By Dr. Ira U. Cobleigh, *Enterprise Economist*

One of our oldest industrial enterprises reasserts itself and revitalizes its earning power.

The Singer sewing machine has, for generations, been one of the best known and widest distributed products of the industrial age, around the world and around the clock. The New England spinster, the African native, the Hong Kong tailor and wife of an Australian sheepherder have for decades relied on Singer for the making and repair of clothing, and to keep them in stitches. For 109 years the name of Singer has been one of the most renowned and respected in our entire corporate firmament. But even great corporations can get tired. And that, for several years after World War II, was just what happened to Singer Manufacturing Company. It rested on its laurels, while newcomers made inroads on its markets. It used to be the dominant sewing machine producer but in 1958 supplied only about 40% of the world market.

Something had to be done, and it was, within the past 18 months. The new President, Mr. Donald P. Kircher was 43 when he took over the top job. He is now surrounded by an echelon of much younger men than traditional in top level Singer management. These gentlemen are dedicated to counter attack and recover the ground lost in recent years to foreign competition particularly Italian and Japanese. (The United States imported over a million household sewing units from Japan in 1959).

Aggressive Forward Steps

What then are these vigorous steps being taken by Singer in reassertion of its historic supremacy?

First, animation of management already cited.

Second, re-designing, streamlining new models and improving their operating efficiency.

Third, modernization of plants, maximizing output of low cost plants and the acquisition of new manufacturing abroad. Along these lines the new plant at Elizabethport, New Jersey is by all odds the world's most efficient plant for turning out sewing machines. Singer has bearded the Japanese lion by buying a half interest in Pine Sewing Machine Co. The other half is owned by Japan Steel Co. Further plans are afoot to produce machines natively in certain South American countries and in India.

Fourth, Singer is stepped up in its sales drive. It already has increased its American sales offices and sewing centers to over 2,000, and it is supplementing their sales impact by broader department and chain store outlets and by the biggest outlays in history for promotion and advertising. Outside the U. S. there are 8,000 additional sales agencies.

Fifth, Singer, which pioneered in the instalment sales business long before life on the cuff became so epidemic, has in the past decade become one of the most aggressive credit merchants. Since 1951 its credit purchase receivables have increased 21% annually and at the 1959 year end were around \$140 million dollars.

Wide Line of Activities

While we think of Singer and sewing machines in the same breath, Singer actually threads its way into many other lines of activity. It is in fact not only a king-size manufacturing enterprise but a substantial holding company. For example, it has an electronic plant in Bridgeport, Conn. with an exciting future in electronics, data processing and infra-red technologies. It owns (31%) Singer Mfg. Co., Ltd. in

Scotland; a 30% interest in International Securities, Ltd. with subsidiary operations in Italy, France, Germany and Brazil. It owns Diehl Mfg. Co. in Finnerne, N. J., which produces electric motors, fans, and vacuum cleaners. It owns a 70% interest in Thurso Pulp and Paper, Ltd., a Quebec sulphate mill. Finally, at the 1958 year end, it had book assets of \$445 million of which net working capital alone amounted to \$240 million.

Here then is a magnificent and renowned company with the tradition, prestige, management moxie, and resources to climb on the backs of any and all competitors. To stockholders, now looks like a good time to start climbing for the results in the 1950 decade revealed practically no forward motion until the last year; in fact the profit margins on a given level of sales actually declined. The best results were \$4.72 per share earned in 1951 on net sales of \$307.8 million. on \$362 million of sales in 1958 the per share net had shrunk to \$2.41. This is not a very exciting showing for one of the most dynamic decades in all the history of private enterprise.

The Forward Look

But enough of the past. How does Singer look as an equity for the Surging Sixties? Is it on a plateau or a launching pad?

We would incline to optimism here. The energy of new management is surely going to improve the results. Tighter cost controls and far more efficient and automated plants should do much to restore favorable ratios of net after taxes. For Singer this ratio should be 4.5% against the 3% recorded in 1958.

The corporate fashion these days is to develop foreign sales, foreign indigenous manufacture, and to deploy capital into those

countries where the cost of labor is most attractive. Singer has had about a century's head start on this kind of business planning, and is now uniquely equipped to capitalize on it. It has plenty of money to finance its operations and to acquire related enterprises which fit into its manufacturing and merchandising organization. Fact is, Singer has developed internally all the capital it has needed to run its business for the past 80 years.

Undervalued Assets

There are 4,500,000 million shares of Singer Common outstanding with a book value in the order of \$70 per share. There is further believed to be a sizeable understatement of assets in the Singer balance sheet, found in real estate and factories written down, and giving no proper allowance for the sizeable hidden equities in minority stocks held.

So if you like a good balance sheet the Singer statement should satisfy you. Earnings for 1958 were \$2.41. For the six months ended June 30, 1959, net was \$1.60 suggesting above \$3 for the full year. Dividend record is fabulous with unbroken skein of payment running back to 1863. Present rate is \$2.20 and Singer Common today sells at 52 with an indicated yield of 4.23%. Singer may not rocket market-wise but it is a rock of financial strength, and its performance in the 60's should be more than so-so!

Mason-Hagan Inc. Elects Officers

RICHMOND, Va. — Announcement is made of the election of John C. Hagan III, as President and Harry C. Diggs, Jr., as Vice-President and Treasurer of Mason-Hagan, Inc., 1110 East Main Street, members of the Richmond and Philadelphia-Baltimore Stock Exchanges. The firm was established in Richmond in 1929.

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An exciting half century has passed—not only for us and the security buyers whom we are privileged to serve, but all America. It has been a period of vast changes—of great trials and tribulations—of new concepts—of new horizons—for all the world.

Our guiding principle, however—that of offering a truly personalized service—is no different today than it was when our firm was established 50 years ago. Even the great new world of tomorrow will not provide a substitute for experience, judgment, imagination and sincerity.

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TAX-EXEMPT BOND MARKET

BY DONALD D. MACKEY

The state and municipal bond market, although under moderately heavy new issue pressure, reversed the easy tendency that had prevailed and gained slightly during the past week. The *Commercial and Financial Chronicle State and Municipal Bond Index* stands at 3.661% today (Jan. 13) while a week ago it was 3.68%. This indicates a dollar gain of about one-quarter of a point in the general average.

Renewed Buying Interest

Although this reversal would seem insignificant, it indicates an important change that has been gradually generating during the months past. Since last June, and to some extent before, when the market reached a new low point, individual investors have been growing in numbers. With good grade bonds yielding from 3½% to 4½%, individuals have become increasingly interested.

During the holiday period, helped by this large new segment of investors, the dealer commitments, as measured by the "Blue List" total of state and municipal holdings, was reduced substantially. During

the period of the last week, with several important large new issues in the market, this total was further reduced. Currently it is only \$231,100,500. One week ago the total was \$280,392,500. One month ago the total was \$343,563,802. This has been a remarkable performance, despite the fact that new issue volume was relatively light during that period. The simple explanation lies in the higher yield level and its broadening effect on the market for tax-exempt bonds.

Recent New Offerings

On Tuesday, the New York State Power Authority sold via negotiation \$120,000,000 serial and term revenue bonds. The term bonds bear a 4¾% coupon and are due in 2006. The offering, at par, was favorably received by all types of investors and a small premium was subsequently bid for the bonds. The \$24,000,000 serial bonds maturing from 1965 to 1979 were priced to yield from 3.50% to 4% and upon initial reoffering all bonds were sold for Group account. The purchasing group of dealers was headed by Dillon, Read & Company—

Halsey, Stuart & Company—Kuhn, Loeb & Company and W. H. Morton & Company. The New York Power Authority has stated that no further long-term financing will be done this year.

On Monday the City and County of San Francisco, California awarded \$13,600,000 serial bonds to the Bank of America-First National City Bank-Blyth & Company-Lehman Brothers-Harriman Ripley & Company group. The bonds were scaled to yield 3.60% in 1979. About \$4,000,000 remains in account at this writing.

On the same day Seattle, Washington sold \$11,800,000 of water revenue serial bonds to a group managed by Lehman Brothers and including Phelps, Fenn & Company-Merrill Lynch, Pierce, Fenner & Smith and Stone & Webster Securities. This high grade issue was scaled to yield 3.80% for 1983 and 1984 maturities. About half of the issue has been sold out of account.

Another important underwriting done this week involved the \$23,121,000 State of Maryland serial bonds purchased by Chase Manhattan Bank-Bankers Trust Company-First National City Bank and Halsey, Stuart & Company and others. These 3¾% bonds are scaled to yield 3.30% for 1974 and 1975 maturities. This top grade state offering has been about half sold.

Another new issue of importance was \$8,000,000 Columbus, Ohio School District bonds which sold on Wednesday (1/13/60). This high grade loan, maturing from 1961 to 1983, was awarded to a group headed jointly by the Chemical Bank New York Trust Company and the First National City Bank of New York. Upon reoffering more than half the bonds were sold.

Californias Going Well

As this article goes to press, a merged syndicate managed jointly by the Bank of America and the Bankers Trust Company was awarded the \$100,000,000 State of California, veterans and school bonds maturing 1961 to 1985, on an average net interest cost of 4.0249%. This is the issue which was originally scheduled for sale Dec. 9, 1959 and was postponed. While the earlier bid was never actually submitted, it was reliably reported that the interest cost to the State at that time would have considerably less than the present interest cost. The offering, priced out to yield par for a 4% coupon, should be well received by investors as group orders are already reported to be substantial.

Immediate Calendar Light

The New Issue Calendar for the coming week (1/18-22/60)

slacks off considerably following this present week's hectic pace. The largest sale scheduled is \$28,089,000 State of Washington motor vehicle revenue and capital expenditure revenue bonds for Wednesday, Jan. 20. On the same day the State of Louisiana will sell \$15,000,000 highway bonds and North Carolina will sell \$11,106,000 capital improvement bonds. Both of these issues are general obligations. \$11,975,000 Detroit, Michigan bonds scheduled for Jan. 19, 1960 completes the important new issue bidding for next week.

The Calendar for the balance of January is unusually light for this time of year. New issues announced for sale in February include \$102,-

800,000 Public Housing Authority bonds for Feb. 9, 1960 and \$10,000,000 Washington Suburban Sanitary District, Maryland bonds also on the 9th. This volume does not place any undue pressure on the Municipal Bond Market.

The Year's Prospect

However, it seems likely that the volume of state and municipal financing will be greater during 1960 than ever before. The market should take this volume without too much difficulty, excepting during periods when the financing, rather than being well planned and carefully timed, is cluttered up in a brief period. Issuers, however, are beginning to do better in this respect.

Larger Issues Scheduled For Sale

In the following tabulations we list the bond issues of \$1,000,000 or more for which specific sale dates have been set.

Information, where available, includes name of borrower, amount of issue, maturity scale, and hour at which bids will be opened.

January 14 (Thursday)

Passaic County, Manchester Regional High Sch. Dist., N. J.	2,750,000	1960-1983	8:00 p.m.
South Tahoe Public Utility Dist., California	1,250,000	1962-1989	8:00 p.m.

January 15 (Friday)

Howland Township Local School District, Ohio	1,775,000	1961-1984	3:00 p.m.
University of Detroit	1,550,000	1961-1998	10:00 a.m.

January 16 (Saturday)

University of Nevada	1,382,000	1962-1999	10:00 a.m.
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January 18 (Monday)

Edina-Morningside Independent School District No. 273, Minn.	1,000,000	1963-1990	8:00 p.m.
King County, Ronald Sewer Dist., Washington	1,360,000	1963-1990	8:00 p.m.
Sheboygan, Wis.	4,000,000	1961-1980	1:30 p.m.
University of Maryland	1,500,000	1961-1988	11:00 a.m.

January 19 (Tuesday)

Arcadia Unified Sch. Dist., Calif.	1,925,000	1962-1980	9:00 a.m.
Caldwell-West Caldwell Sch. Dist., New Jersey	2,695,000	1961-1988	8:00 p.m.
Cumberland County, Pa.	1,750,000	1961-1985	7:30 p.m.
Detroit, Mich.	7,400,000	1961-1985	10:00 a.m.
Detroit, Mich.	5,775,000	1961-1985	10:00 a.m.
Fullerton, Calif.	1,000,000	1961-1980	7:30 p.m.
Oyster Bay Union Free Sch. Dist. No. 21, N. Y.	4,495,000	1960-1988	1:00 p.m.
St. Clair County, School District No. 118, Ill.	2,673,000	1961-1979	7:30 p.m.
Topeka School District, Kan.	2,000,000	1961-1980	10:00 a.m.
White Plains City Sch. Dist., N. Y.	1,995,000	1960-1967	11:00 a.m.
Winnetka, Ill.	1,000,000	1961-1980	8:00 p.m.

January 20 (Wednesday)

Bloomfield, N. J.	3,418,000	1961-1980	2:00 p.m.
Defiance City Sch. Dist., Ohio	1,350,000	1961-1983	Noon
East Muskingum Sch. Dist., Ohio	1,100,000	1961-1982	Noon
Louisiana (State of)	15,000,000	1961-1984	11:00 a.m.
Mansfield City School Dist., Ohio	6,000,000	1961-1985	2:00 p.m.
North Carolina (State of)	11,106,000	1961-1979	11:00 a.m.
Ramsey Co., Minn.	1,450,000	1961-1990	10:00 a.m.
Sacramento City Unified School District, Calif.	10,000,000	1962-1985	10:00 a.m.
South St. Paul Special School Dist. No. 6, Minn.	1,450,000		8:00 p.m.
Washington (State of)	18,000,000	1967-1977	10:30 a.m.
Washington (State of)	10,089,000	1961-1979	10:30 a.m.
Wayne Community School Dist., Michigan	4,360,000	1960-1985	8:00 p.m.

January 21 (Thursday)

Jeffersonville School Bldg. Corp., Indiana	1,525,000	1963-1988	1:30 p.m.
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January 25 (Monday)

Jurupa Community Services Dist., California	1,550,000	1964-1985	7:30 p.m.
Minneapolis-St. Paul Metropolitan Airports Commission, Minn.	7,000,000	1963-1980	Noon
Rosemount Independent Sch. Dist. No. 196, Minn.	1,000,000	1963-1985	8:00 p.m.

January 26 (Tuesday)

Boston Metropolitan Dist., Mass.	2,974,000	1970-1990	11:00 a.m.
Burlington, N. C.	1,275,000	1961-1986	11:00 a.m.
Clinton Prairie School Building Corporation, Ind.	1,680,000	1963-1991	2:00 p.m.
Knox County, Tenn.	2,000,000	1961-1975	11:00 a.m.
Pensacola, Fla.	1,500,000	1961-1980	9:00 a.m.

MARKET ON REPRESENTATIVE SERIAL ISSUES

Issue	Rate	Maturity	Bid	Asked
California (State)	3½%	1978-1980	4.15%	4.00%
Connecticut (State)	3¾%	1980-1982	3.55%	3.40%
New Jersey Highway Auth., Ltd.	3%	1978-1980	3.90%	3.75%
New York (State)	3%	1978-1979	3.85%	3.70%
Pennsylvania (State)	3¾%	1974-1975	3.30%	3.15%
Vermont (State)	3½%	1978-1979	3.30%	3.20%
New Housing Auth. (N. Y., N. Y.)	3½%	1977-1980	3.50%	3.35%
Los Angeles, Calif.	3¾%	1978-1980	4.10%	3.90%
Baltimore, Md.	3¼%	1980	3.90%	3.70%
Cincinnati, Ohio	3½%	1980	3.65%	3.50%
New Orleans, La.	3¼%	1979	4.05%	3.85%
Chicago, Ill.	3¼%	1977	4.05%	3.90%
New York City, N. Y.	3%	1980	4.30%	4.20%

January 13, 1960 — Index = 3.661%

DOLLAR BOND QUOTES AND RELATED INFORMATION

(Prices and yields are approximate)

Issue	First Callable Date (as a whole)	Call Price	Offering Price	Net Changes from Prev. Week	Yield to Maturity
Chelan Co., Wash. PUD No. 1	1-1-1978	100	107	- ¼	4.64%
Chicago-O'Hare Airport	1-1-1974	104¾	106	+ ½	4.41%
Chicago Reg. Port	7-1-1962	103½	90	- 1	4.55%
Florida Turnpike Authority	4-1-1962	103½	85¼	+1¼	4.04%
Grant Co., Wash. PUD No. 2	5-1-1966	103	93½	(°)	4.20%
Illinois Toll Highway	1-1-1965	103¾	73	+ ½	5.50%
Illinois Toll Highway	1-1-1978	104¾	90	+ 1	5.37%
Indiana Toll Highway	1-1-1962	103	85½	+ ¼	4.32%
Jacksonville, Fla. Exp.	7-1-1967	103	102½	(°)	4.11%
Kansas Turnpike Authority	10-1-1962	103	73¼	+ ½	5.01%
Kentucky Turnpike Authority	7-1-1960	104	91	+1½	3.87%
Mackinac Bridge Authority	1-1-1964	108	88½	+ 2	4.68%
Maine Turnpike Authority	1-1-1958	104	83¾	+1¾	5.07%
Massachusetts Turnpike Authority	5-1-1962	103½	82½	+ ½	4.29%
Massachusetts Port Authority	10-1-1969	104	104¼	+ 1	4.52%
New Jersey Turnpike Authority	7-1-1958	103½	93	+1½	3.78%
New York Power Authority	1-1-1963	103	83¼	+1¼	4.11%
New York Power Authority	1-1-1970	103	99½	+ 7/8	4.23%
New York Thruway Authority	7-1-1960	103½	83	+ 1	4.02%
Ohio Turnpike Authority	6-1-1959	106	86¼	+1½	4.02%
Pennsylvania Turnpike Authority	6-1-1959	103	81	(°)	4.15%
Richmond-Petersburg Turnpike	7-1-1963	103½	77½	+ ¾	4.78%
Tri-Dam Project, Calif.	7-1-1959	104	80¾	(°)	3.97%
Virginia Toll Revenue	9-1-1959	105	84½	+ ¼	3.81%

(°) Unchanged.

This announcement is not an offer of securities for sale or a solicitation of an offer to buy securities.

New Issue

January 13, 1960

\$120,000,000

Power Authority of the State of New York

General Revenue Bonds, Series G

Interest exempt, in the opinion of Messrs. Hawkins, Delafield & Wood and of Messrs. Sullivan, Donovan, Hanrahan, McGovern & Lane, bond counsel to the Authority and to the Underwriters, respectively, under the existing statute and court decisions from Federal income taxes, and under existing statutes from New York State income tax.

\$96,000,000 4³/₈% Bonds, due January 1, 2006

Price 100%

\$24,000,000 Serial Bonds

Principal Amount	Due January 1	Interest Rate	Price or Yield	Principal Amount	Due January 1	Interest Rate	Price or Yield
\$1,100,000	1965	4.00%	3.50%	\$1,650,000	1973	3.75%	3.90%
1,260,000	1966	4.00	3.60%	1,710,000	1974	3.75	3.90%
1,400,000	1967	4.00	3.65%	1,770,000	1975	4.00	3.95%
1,365,000	1968	4.00	3.70%	1,830,000	1976	4.00	3.95%
1,425,000	1969	4.00	3.75%	1,900,000	1977	4.00	100
1,470,000	1970	3.75	100	1,960,000	1978	4.00	100
1,530,000	1971	3.75	3.80%	2,040,000	1979	4.00	100
1,590,000	1972	3.75	3.85%				

Accrued interest from January 1, 1960 is to be added to the prices.

The Bonds are subject to redemption, as a whole or in part, at any time on and after January 1, 1970, as set forth in the Authority's Official Statement.

Copies of the Circular dated January 12, 1960, which contains further information, including the Official Statement of the Authority, may be obtained from such of the undersigned as are registered dealers in securities in this State. The undersigned are among the Underwriters.

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IT IS UNDERSTOOD THAT THE FIRMS MENTIONED WILL BE PLEASED
TO SEND INTERESTED PARTIES THE FOLLOWING LITERATURE:

Burnham View—Monthly Investment Letter—Burnham and Company, 15 Broad Street, New York 5, N. Y. Also available in current Foreign Letter.

Canadian Business—Review—Bank of Nova Scotia, Toronto, Canada.

Electrical Equipment and Electronics in 1960—Survey—E. F. Hutton & Co., 61 Broadway, New York 6, N. Y.

Fire & Casualty Insurance Stocks—Survey—Hemphill, Noyes & Co., 15 Broad St., New York 5, N. Y.

For Capital Gains in 1960—Analysis in current "ABC Investment Letter"—With particular reference to American Cyanamid Co., American Metal Climax, Avon Products, Inc., Borg-Warner Corp., Diebold, Inc., Lockheed Aircraft, McLouth Steel Corp., Philco Corp., Standard Packaging and Yale & Towne Manufacturing Co.—Amott, Baker & Co., Incorporated, 150 Broadway, New York 38, N. Y. Also available is a review and forecast for the Real Estate Market.

Japanese Stock Market—Study of changes in postwar years—In current issue of "Nomura's Investors Beacon"—Nomura Securities Co., Ltd., 61 Broadway, New York 6, N. Y. Also available is a review of the outlook for Plant and Equipment Expenditures in Japan for 1959 and brief analyses of Mitsubishi Heavy Industries, Nippon Flour Mills Co., Iwaki Cement Co. and a survey of the Steel Industry.

Japanese Stocks—Current Information—Yamaichi Securities Company of New York, Inc., 111 Broadway, New York 7, New York.

Market—Analysis of selected issues in various industries—Alfred L. Vanden Broeck & Co., 55 Liberty Street, New York 5, N. Y.

Moderate Priced Reinvestment Suggestions for 1960—Brochure—Shearson, Hammill & Co., 14 Wall Street, New York 5, N. Y.

New Perspective on Keynes—Report—Saunders Cameron Limited, 55 Yonge Street, Toronto 1, Ont., Canada.

Over-the-Counter Index—Folder showing an up-to-date comparison between the listed industrial

stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 20-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Preferred Stocks—Principal issues offered during 1959—Eastman Dillon, Union Securities & Co., 15 Broad Street, New York 5, N. Y.

Railroad Stocks—Analysis of outlook in 1960—A. M. Kidder & Co., Inc., 1 Wall Street, New York 5, N. Y. Also available is a year end review of leading New York City Bank Stocks and data on Harshaw Chemical, Hoffman Electronics, Metal & Thermit and Pittsburgh Coke & Chemical.

Securities Outlook—Analysis—G. H. Walker & Co., 45 Wall Street, New York 5, N. Y.

Selections for 1960—Review of certain groups of securities which appear attractive—Goodbody & Co., 2 Broadway, New York 4, N. Y. Also available is a memorandum on General Telephone & Electronics Corp.

Sixty Stocks for Sixty—Review—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Steel's New Era—Discussion in Jan. issue of "The Exchange"—Exchange Magazine, 11 Wall St., New York 5, N. Y.—20¢ per copy; \$1.50 per year. Also in the same issue is a discussion of the Stock Market in 1960.

Understanding Put & Call Options—Herbert Filer—Crown Publishers, Dept. A-7, 419 Park Avenue, South, New York 16, N. Y.—\$3.00 (ten day free examination).

Alminex Limited—Bulletin—Gairdner & Compay, Limited, 320 Bay Street, Toronto, Ont., Canada.

American Machine & Foundry—Report—Thomson & McKinnon, 2 Broadway, New York 4, N. Y.

American Telephone & Telegraph—Data—Schirmer, Atherton & Co., 50 Congress Street, Boston 9, Mass. Also available are data on Madison Fund, Inc., Ludlow Manufacturing & Sales Co. and Edgcomb Steel of New England.

American Telephone & Telegraph

Co.—Memorandum—Shields & Company, 44 Wall Street, New York 5, N. Y.

Anaconda Company—Report—Peter P. McDermott & Co., 42 Broadway New York 4, N. Y.

Atlantic Coast Line and Seaboard—Memorandum—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also available is an economic survey of 1959 vs. 1958.

Barber-Greene, Inc.—Bulletin—A. C. Allyn & Co., 122 South La Salle Street, Chicago 3, Ill.

Barnwell Offshore Inc.—Brochure—First Investment Savings Corp., 404 North Twenty-first Street, Birmingham, Ala.

Birmingham Sound Reproducers Limited—Analysis—New York Hanseatic Corporation 120 Broadway, New York 5, N. Y.

Burlington Industries, Inc.—Analysis—Joseph Walker & Sons, 120 Broadway, New York 5, N. Y. Also available is a report on Aircraft Manufacturing and Air Transportation.

Celanese Corp. of America—Analysis—Bache & Co., 36 Wall Street, New York 5, N. Y.

Chesapeake Corporation of Virginia—Analysis—Auchincloss, Parker & Redpath, 1705 H Street, N. W., Washington 5, D. C.

Collins Radio—Report—Harris, Upham & Co., 120 Broadway, New York 5, N. Y. Also available are reports on National Vulcanized Fibre Co., Raytheon Company, Ritter Co., S. S. White Dental Manufacturing and some suggested portfolios.

Columbian Carbon Company—Report—Reynolds & Co., 120 Broadway, New York 5, N. Y. Also available are reports on Chicago Pneumatic Tool, Republic Steel Corporation, and Instruments & Controls.

Dana Corp.—Memorandum—Merrill Lynch, Pierce, Fenner & Smith Inc., 70 Pine Street, New York 5, N. Y. Also available are memoranda on Westinghouse Air Brake Co. and White Stores, Inc.

Dixon Chemical Industries, Inc.—Report—Midland Securities Co., Inc., 1016 Baltimore Avenue, Kansas City 5, Mo. Also available are analyses of Kansas City Public Service Company and Cascade Natural Gas.

Dura Corp.—Memorandum—Bacon, Stevenson & Co., 39 Broadway, New York 6, N. Y.

Eagle-Picher—Memorandum—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y. Also available are memoranda on Hupp International Harvester and Union Carbide.

Electric Autolite—Analysis—Green, Ellis & Anderson, 61 Broadway New York 6, N. Y.

Electronics Funding Corporation—Report—Darius Incorporated, 90 Broad Street, New York 4, N. Y.

Foremost Dairies, Inc.—Memorandum—R. W. Pressprich & Co., 48 Wall Street, New York 5, N. Y.

Fruehauf Trailer—Report—Eisele & King, Libaire, Stout & Co., 50 Broadway, New York 5, N. Y. Also available are reports on Dana Corporation, Monsanto Chemical Co. and Outboard Marine.

General Steel Wares, Ltd.—Memorandum—Moss, Lawson & Co., Limited, 219 Bay Street, Toronto, Ont., Canada.

Great American Realty Corporation—Report—Louis L. Rogers Company, 15 William Street, New York 5, N. Y.

Harsco Corp.—Memorandum—Boenning & Co., 1529 Walnut Street, Philadelphia 2, Pa.

Harsco Corporation—Bulletin—Hill, Darlington & Co., 40 Wall Street, New York 5, N. Y.

Hexel Products, Inc.—Memorandum—E. F. Hutton & Company, 160 Montgomery Street, San Francisco 4, Calif.

Lazard Fund Inc.—Annual report—Lazard Fund, Inc., 44 Wall Street, New York 5, N. Y.

Mack Trucks, Inc.—Analysis—Schweickart & Co., 29 Broadway, New York 6, N. Y.

Magna Theatre Corporation—Study—Candee & Co., 44 Wall Street, New York 5, N. Y.

Monsanto Chemical—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y. Also available is a review of Federal Pacific Electric.

Montgomery Ward—Data—Van Alstyne, Noel & Co., 52 Wall Street, New York 5, N. Y. Also available in the same circular are data on Bucyrus Erie, and Greyhound Corp.

National Biscuit Company—Analysis—Laird, Bissell & Meeds, 120 Broadway New York 5, N. Y.

New England Lime Company—Analysis—Dayton Haigney & Co., Incorporated, 74 Federal Street, Boston 10, Mass.

New Jersey Natural Gas Company—Analysis—G. A. Saxton & Co., Inc., 52 Wall Street, New York 5, N. Y. Also available are comparative figures on Public Utility Common Stocks.

Oklahoma Cement Company—Analysis—Stanley R. Ketcham & Co., Inc., 76 Beaver Street, New York 5, N. Y.

Oklahoma Mississippi River Products Line Inc.—Analysis—H. Hentz & Co., 72 Wall Street, New York 5, N. Y. Also available are reviews of Continental Copper and Steel Inc. Rail Stocks for 1960 and a review of the Market.

Pacific Centers, Inc.—Analysis—Binder & Company, Inc., 541 South Spring Street, Los Angeles 13, Calif.

Pacific Intermountain Express—Review—Butcher & Sherrerd, 1500 Walnut Street, Philadelphia 2, Pa.

Penick & Ford Ltd.—Memorandum—J. A. Hogle & Co., 40 Wall Street, New York 5, N. Y.

Pepsi-Cola Company—Analysis—Hayden, Stone & Co., 25 Broad Street, New York 4, N. Y. Also available are memoranda on Magnavox and ABC Vending.

Philco Corporation—Analysis—Parrish & Co., 40 Wall Street, New York 5, N. Y.

Protestant Deaconess Hospital Association of Evansville, Ind.—Report—B. C. Ziegler and Company, Security Building, West Bend, Wis.

Rogers Corporation—Analysis—F.

L. Putnam & Company, Inc., 77 Franklin Street, Boston 10, Mass.

Russell Manufacturing—Memorandum—Wm. Stix Wasserman and Co., Inc., 70 Pine Street, New York 5, N. Y.

Seovill Manufacturing Company—Report—Montgomery, Scott & Co., 120 Broadway, New York 5, N. Y.

Siegler Corp.—Memorandum—T. L. Watson & Co., 25 Broad Street, New York 4, N. Y.

Siegler Corp.—Report—Irving Weis & Company, 40 Exchange Place New York 5, N. Y.

A. O. Smith—Memorandum—Fahnestock & Co., 65 Broadway, New York 6, N. Y. Also available is a memorandum on United Engineering & Foundry.

Spiegel—Review—Carl M. Loeb, Rhoades & Co., 42 Wall Street, New York 5, N. Y. In the same review are data on Universal Oil Products and Armour & Company. Also available is an analysis of Trinidad Petroleum Development Company, Ltd.

Thermo King Corp.—Memorandum—The Milwaukee Co., 207 East Michigan Street, Milwaukee 2, Wis.

Tito Roofing—Memorandum—J. R. Williston & Beane, 2 Broadway, New York 4, N. Y. Also available are memoranda on Ero Manufacturing and McGregor-Doniger.

Union Tank Car—Analysis—Weingarten & Company, 551 Fifth Avenue, New York 17, N. Y.

U. S. Plywood—Memorandum—W. E. Hutton & Co., 61 Broadway, New York 6, N. Y.

Valley Mould & Iron—Memorandum—du Pont, Homsey & Company, 31 Milk Street, Boston 9, Mass. Also available are memoranda on Buckeye Steel Castings and Allen Industries.

Voi Shan Industries—Report—Leason & Co., Inc., 39 South La Salle Street, Chicago 3, Ill.

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What Role Should Canadian Credit and Capital Play?

By J. E. Coyne,* Governor of the Bank of Canada
Ottawa, Ontario, Canada

Canada's central banker judges it is time for his country to cut down on heavy foreign borrowing by increasing domestic savings or moderating the demand for capital. This view follows his description of Canada's capital and money markets and is part of his candid reflection on the role of money, banking, credit and investment. Mr. Coyne holds it is more desirable to effectuate small changes in money and credit to large ones. Further he warns that attempts to give to monetary measures the job of preventing inflation might have undesirable side effects unless the governmental authorities cooperate by reducing spending and pursuing proper fiscal and other measures when the demand for resources and funds becomes excessive.

Members of the investment banking industry are particularly interested in the role played by credit and capital in the economic growth of the nation. It is in their interest, as it is in the interest of their customers and of all other groups in the economy, that growth should be maintained on a sound basis without violent fluctuations every few years, that a high and stable level of employment should be sustained to the maximum degree possible, that inflationary and deflationary tendencies alike should be resisted and counteracted, and that in the furtherance of these goals, the financial resources of the country should be employed as soundly and effectively as possible.

Although the proper use of credit poses many problems, some form of credit is necessary in any kind of economic society other than one carried on by direct barter with settlement effected every day. In theory all credit could be provided directly by those immediately concerned, but in practice no economic society could develop very far or operate efficiently if there were not specialized financial intermediaries seeking out those who are in a position at any given moment to extend credit and channelling it to those who feel they can best make use of it and are prepared to pay appropriate prices for it.

Canada, as a nation extending over vast distances and comprising many different geographical and climatic areas, has been particularly dependent not merely on such obvious nation-knitting activities as government and transportation, but also upon a nationwide system of credit by which surpluses or savings arising in many different parts of the country could be made available to meet the needs of many other parts of the country.

Praises Canada's Capital Market

Most of our chartered banks have grown to be very large institutions operating in all ten provinces and consciously fashioning their activities on a national basis. The chartered banks also serve through clearing arrangements to provide some degree of inter-connection between other purely local institutions in different parts of the country. All this has become quite familiar to Canadians. What is perhaps not so widely recognized is that we also have in Canada a well developed nationwide capital market, particularly in respect of the distribution of securities issued by governments, local authorities and business corporations. This is primarily the field of activity of investment dealers. I think there is little doubt that the financial ma-

chinery existing in Canada for the placing of new issues of securities on the market is the equal of that of any country in the world and, in proportion to our size, it probably arranges, year in and year out, for the provision of a greater quantity of new capital to those requiring it than is the case in any other country in the world. The results achieved are a reflection of the industry and enterprise and broad national outlook of our investment dealers, just as the results achieved by our banking system bear witness to the similar qualities of those who built up and operate our great chartered banks.

The Bank of Canada's interest in the Canadian capital market is threefold. In the first place our open market operations, which are the main instrument of monetary policy, can be carried out most effectively and smoothly in a market where there is a large and continuous volume of trading and where there are financial intermediaries with substantial resources of their own which enable them to take a position from time to time in anticipation of the future needs of either borrowers or investors. The Bank of Canada is also greatly concerned with the capital market because of its responsibilities as fiscal agent for the Government of Canada, the largest borrower in the market. And thirdly, we take the same interest in the capital market that all must take who are concerned with the general economic welfare and progress of the country because a thriving capital market is an essential requirement for an efficient and growing economy.

Broadly Based Liquid Money Market

The Bank's own operations other than as fiscal agent for the Government of Canada are, of course, mainly in the so-called money market, or market for short-term securities. This was a part of our financial machinery which was not well developed when the central bank came into existence 25 years ago. Since 1935 the Bank of Canada has been able to assist and participate in a number of developments leading up to the present situation in which we have in Canada a broadly based liquid money market which operates just as freely and smoothly as that in any other country and more so than in most, and which is able to adapt itself flexibly to changing circumstances. We have seen the development of the market for treasury bills which began before the war, but really came into full operation only after 1954 with the inauguration by the chartered banks of a system of day-to-day loans to assist in the financing of those investment dealers who take a special interest in short-term securities, with the underlying support of the Bank of Canada as the lender (though purely a temporary lender) of last resort. We have seen the development of a much broader market for short-term Government bonds as well as Treasury bills, and in the last few years a quite striking development in the market for short-

term notes and debentures of business corporations. We have not yet developed a system of bankers' acceptances of corporate short-term obligations in this country, but if a workable method can be agreed upon by the chartered banks and investment dealers suited to Canadian conditions, which of course differ considerably from those existing in other countries in the days when bankers' acceptances were first developed, the Bank of Canada will, I am sure, be able to cooperate and assist in such a development.

Developed Broad Retail Market

One of the most notable features of the Canadian capital market has been the extent to which our investment dealers have cultivated and developed a very broad retail market, that is to say the placing of securities with private individuals and small local institutions, estates and trusts. In most other countries, including the United States, the market for Government bonds and other high-grade securities is largely confined to banks and other savings institutions, including notably the life insurance companies. In Canada, too, these institutions are a substantial source of funds for the capital market, but in addition the retail market has been developed to the point where it is more broadly based than in any other country I know. With the tremendous need for savings and capital investment in this country, it is obvious that the cultivation of the retail market has been a very healthy development and one upon which our future growth will also depend to a significant degree. Borrowers such as provinces, municipalities and corporations, which succeed in providing

savings instruments suitable to the small investor will find here a very useful and proper source of funds which may be particularly helpful to them in periods when the demands upon the resources of the larger institutions are unusually strong.

The development of our financial markets has been materially assisted by the flow of statistical information which has been built up and published over the years. The quality of performance of any market must depend to quite an extent on the rapidity and completeness of the feed-back of information about its operations to the participants in it, which enables them continuously to adjust their affairs to latest developments. The Bank of Canada for its part has always attached great importance to furnishing up-to-date and comprehensive information on its own operations, and on those of the Government and the banking system, and so far as possible on the operations of all participants in the capital market. With the cooperation of those concerned we obtain and collate such information and each Thursday night we publish our "Weekly Financial Statistics" covering, for the week ending the day before, the central bank's operations, changes in the total amount of Government of Canada debt, by categories, changes in the distribution of Government debt, movements in interest rates and statistics on the chartered banks' day-to-day loans and holdings of Government securities. The same release includes comprehensive statistics of the chartered banks' lending operations and changes in the volume of bank deposits by categories for the week ending eight days before. This is supple-

mented by additional material which is available monthly or quarterly in our monthly "Statistical Summary." I believe there is no other capital market which receives as up-to-date and comprehensive information about matters which are of concern to it. We are constantly trying to make improvements and welcome suggestions to that end.

The market for credit—whether to finance investment in new capital assets, or to finance personal or governmental spending for current purposes in excess of income—is to some extent a single market with many borrowers able to choose between different sources of funds and many lenders able to choose between different outlets for their funds. Some borrowers, however, have very little real choice between alternatives and are heavily dependent on a single source, particularly for working capital funds where the only source may be their banker. Similarly, the chartered banks in Canada have to a considerable degree specialized their field of lending. Although they participate as investors in the long-term capital market by way of the purchase of Government and corporate securities in the market and make insured housing mortgage loans, their primary credit function has been to provide (in addition to other banking services) short-term working capital for Canadian businesses—including investment dealers—and a certain reservoir of funds for personal loans.

The banks have by their actions and their pronouncements come more and more to assume the status of national institutions with a recognized social function or responsibility. Considerations of this

Continued on page 28

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NEW ISSUE

January 6th, 1960

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Short-Term Money Outlook And Treasury Financing

By Norris O. Johnson,* Vice-President, The First National City Bank of New York, New York City

Higher average interest rates and supply of money market paper in 1960 with a likely hike in Federal Reserve rediscount rate are some of the developments envisaged by New York banker-economist. These tightening market conditions, it is held, may compel the Treasury to pay 5% for money, and possibly more, even if there should be a more than nominal budget surplus and Congress agrees to lift the 4½% bond rate ceiling. The author points out how costly the Congressional ceiling rate has been; notes it has caused the Treasury to reach the practical limits of underwriting capacity; and disagrees with those who argue that during tight money the Treasury should forego bonds in favor of bills.

One can offer an unqualified forecast that 1960 will be a year of unprecedented activity in Treasury bills and other short-term money market instruments. From all that I can see the outstanding supply of money market paper will average higher than ever before and likewise the interest rates at which they are sold and traded.

Having delivered myself of my one sentence forecast the temptation is strong to permit the discussion to proceed to matters in the longer time dimension.

Short-term money is an ephemeral thing, here today and matured tomorrow. In the background of the extreme rate fluctuations in the market over the past two years it would take a bold man to try to mark out a pattern of movement as we enter 1960. But it is a good intellectual exercise to try.

Treasury bill yields, as determined in the weekly auctions, are the skittish leader of the short-term money market. Volume-wise they account for the main bulk of trading in money market instruments. So, for simplicity, let me speak of bill yields—91-day bill yields—as the central figure on the stage.

Traces Seasonal Fluctuations

The normal experience is for money to ease in January, and to some degree in February. The most familiar cause is return flow of \$1 billion or more currency into the banks. But this influence is largely cancelled by Federal Reserve sales or runoffs of bills. The effective force driving bill yields down in January is not bank buying out of gains in reserves and deposits. It is buying of bills by nonfinancial corporations using (a) excess cash accumulated in dressing up year-

end balance sheets and (b) gain of cash from tax reserve accumulation and seasonal inventory reduction.

The bills which corporations buy are supplied by the Federal Reserve, by banks suffering losses of corporate deposits, and by dealers who stock up heavily in anticipation of the January demands.

The normal thing is for bill yields to decline into February and then to rise up to the March tax date when corporate bill holdings (including tax anticipation issues) are so sharply reduced as to make a reduction in corporate bill holdings for the first quarter as a whole.

The second quarter pattern is rather like the first with a similar reduction in holdings for the quarter as a whole. March and June are the heaviest tax payment months for corporations. During the third quarter corporations normally accumulate more bills in July and August than they dispose of in September. The fourth quarter—modified by year-end window dressing and seasonal pressures on banks—is much the same.

It is all a pretty and logical pattern. But, more basically, it is the business situation that will determine yield movements over the year.

With a settlement of the steel strike, everyone expects a general forward surge of business, inventory accumulation and capital spending during 1960. In the circumstances one would expect (a) the Federal Reserve to act quickly to mop up gains of funds to the banks in January, and (b) first-half year reduction in corporate holdings of bills to be greater than usual. Thus I would suppose that the January decline in 91-day bill yields will be moderate. The yield on the last four 91-day auctions has averaged 4.59%.

Foresees Higher Rediscount Rate

The question arises as to how much longer the Federal Reserve will keep the 4% discount rate put in force last September. Normally the discount rate is kept somewhere near Treasury bill

yields. A spread of ½% of 91-day bills over the discount rate is unusual, though back in the fall of 1958 the Federal Reserve did allow a spread of ½% or more to persist for two months before raising the discount rate. I suppose the rate will be in the stage of active discussion as we enter 1960. The practical purpose of a rate advance would be to relieve the strain of policing discounts, a policy which inevitably must involve some discriminations, or at least feelings of discrimination, among member banks.

Apart from our domestic business situation, we should not fail to note that world-wide currents are flowing toward firmer money conditions. Since the restoration of convertibility to major European currencies abroad we have begun to live again in an international money market where many foreign currencies are regarded as equivalents for dollars. We have more than \$16 billion liabilities to foreigners on short-term account (plus \$3 billion to international institutions) and have lost some of our freedom to steer an independent course. Booming conditions in Europe are bringing wage-price pressures and advances in money rates and bond yields. This trend fortifies expectations of tight conditions here as far as we can see.

Now we need to turn to the constructive side of the equation. The Treasury should have a cash surplus in the first half to cover the \$6 billion tax anticipation bills maturing in March and June. Cash borrowings will be needed

to cover redemptions of Savings bonds and attrition on refundings. But the situation is far better than it was in the first half of 1959 when there was no cash surplus and \$6.6 billion of the first half revenues had been committed to redeeming tax anticipation securities.

Expects 5% Bill Rate

This first half cash surplus is a seasonal affair and no doubt will be largely offset by a deficit in the second half-year. In any case, it would seem that the Treasury will be having to pay 5% for money. The question people are asking is whether 5% is going to be enough. Most experts I know doubt it. Yet I think there is hope if the fiscal '61 budget, to be submitted in January, shows more than a nominal surplus and if the Congress agrees to lift the antiquated 4½% bond rate limit.

Perhaps I am mistaken in considering that these actions could make the marginal difference and prevent a general rise above 5% in Treasury new money costs. Failure to permit bond financing at 4½%, which could have been possible last summer, has been costly. Excessive reliance on bill financing—up \$9.9 billion during 1959—has not only helped drive bill yields up, and increased the liquid asset supply, but has reacted to depress the bond market generally.

It might be worth analyzing the increase in outstanding U. S. Treasury bills during 1959:

	Issues (billions)	Redemptions (billions)	Net Change (billions)	Now Outstanding (billions)
91-day Issues	\$63.6	\$71.6	-\$8.0	\$14.8
Tax Anticipation Bills	9.0	6.0	+ 3.0	6.0
Special Bills	---	2.7	- 2.7	---
182-day Issues (first introduced in December 1958)	22.0	12.4	+ 9.6	10.8
"Long" Bills (first introduced in April 1959)	8.0	---	+ 8.0	8.0
Total	\$102.6	\$92.7	+\$9.9	\$39.6

Capacity of Bill Issues Reached

There is some thinking that, except perhaps in the special case of tax anticipation bills, the Treasury is approaching the practical limits of underwriting capacity when it offers for sale as much as \$2 billion Treasury bills on any one day. At least this consideration was apparently influential in the decision, first, to introduce the 182-day bills, and second, to introduce the long bills. The long bill program has been completed and there is now outstanding in this cycle \$2 billion each of bills due Jan. 15, April 15, July 15, and Oct. 17, 1960.

The weekly 91-day and 182-day bill auctions, to raise money to pay off maturing issues, run from \$1.4 billion in some weeks to \$1.6 billion in others. There is believed to be some reserve borrowing capacity in the possibility of increasing the total of weekly issues. Tax anticipation borrowing can be repeated. But there are so many Treasury bills around that the market is congested and money costs have risen. Indeed, money cost to the Treasury, if computed on a bond equivalent basis, touched 5.18% on the 182-day bills dated Dec. 10.

Favors Bond Offering When Money Is Tight

I cannot resist a slight further digression into the subject of Federal debt management. The point of view has been expressed that, when money is tight, the Treasury should avoid bond offerings which would involve high money costs for years to come, and borrow on bills. Though bills might involve even higher money rates for a short period, the higher money costs will not last. This is a plausible businessman's approach. But it is not without some serious faults. Since the Treasury is already a tremendous borrower in the money market, increased money costs incurred as a result of increased bill issues apply not

under reasonably stable general fiscal conditions. But the answer in this case requires some co-operation from the Congress, holding back expenditures, and hence bill financing, and permitting bond financing. The 5% market is too good to be spoiled by being overworked.

It should be needless to point out that money rates also have some political implications. One frequently hears the forecast that money should be easy, and certainly not very tight, because 1960 is a national election year. It is strange what a hold this doctrine has. I remember people saying it in 1956, not to mention 1952 or 1948. During World War II 91-day Treasury bill yields were pegged at three-eighths percent. In each Presidential year since then, 91-day Treasury bills have moved up through the next even number. In 1948 91-day bill yields first pierced 1%; in 1952, 2%; in 1956, 3%.

Two years ago, speaking at New York University, I mentioned this record and suggested that 91-day bill yields were due to pass 4% in 1960 with the qualification that, since we had entered the "space age" where time tends to be collapsed, what is due in 1960 could possibly appear in 1959 though not in 1958. We made it in 1959, on the 91-day bills dated Sept. 17 which went at average yields of 4.17%. In December we have moved up as high as 4.67% on 91-day issues.

There is the further fascinating question, whether money rates may not figure prominently in the election campaign with one party promising to restore cheap (they do not say depreciating) money. My only comment on this is that the last time a political party in North America made this sort of promise and won an election—it was the conservatives in Canada—money rates before too long clamored to previously unscaled heights.

*An address by Mr. Johnson before the American Finance Association annual meeting, Washington, D. C., Dec. 28, 1959.

Josephthal Co. 50th Anniversary

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange and other leading exchanges, is celebrating the 50th anniversary of its founding in 1910.

Truman and Co. Formed in N.Y.C.

Charles Truman has formed Truman and Co. with offices at 60 Wall Tower, New York City, to engage in a securities business. Mr. Truman was formerly a principal of Truman, Wasserman and Co.

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Market Forecasting Today And the General Outlook

By Bradbury K. Thurlow,* Vice-President, Winslow, Cohn & Stetson, Inc., New York City

Reflections on what market forecasting is and what makes the market tick accompanies Mr. Thurlow's observations on which way the market may go. For those who are in a market they believe is too high, the writer offers his "momentum theory"—i.e., sit tight while the market continues to rise and sell when it loses its momentum and the averages break the previous month's low. Despite today's predilection for selectivity, everyone's vital concern about the direction of D-J Industrials show, Mr. Thurlow concludes, market forecasting is uppermost on everyone's mind.

The outlook appears completely confusing and the more I look the more questions I find that seem almost impossible to answer. In early 1958 we had a big market break just behind us, majority opinion was looking for bad business ahead and was right. It was also looking for lower stock prices and, as we all know, was badly wrong. 1958 was one of those years when stocks began on the bottom and went gaily upward and onward virtually without a reaction while most observers stood rubbing their eyes.

If we look more closely into the state of mind prevailing in early 1958 we shall recall there was a highly refined unanimity of bearish opinion on the outlook—since business could only get worse during the first few months and no one knew how much worse or for how long, stock prices would necessarily decline until bottom was visible, at which point the bear market would be over. This was a fine idea, only the bear market had already ended by the time these forecasts were made and when Mr. Eisenhower observed in April that the bottom of the decline was at hand most of us smiled indulgently and suggested that he might be a nice fellow and all that, but Presidents of the U. S. didn't really know much about economics.

The importance of looking back at 1958 today is to inquire whether we may not now be looking at the same picture upside down. On Sunday, Jan. 3, I watched Senator Kennedy on "Meet the Press." In the course of the interview he predicted quite clearly (I thought) that business might not be too good in late 1960 and might be distinctly poor in 1961. This prognosis immediately called to mind the present, widely held view that business is going to be wonderful for at least the first half of this year and that stock prices cannot turn downward until the end of the business boom is clearly foreseeable.

To me this sounds like the reverse image of 1958 and if Mr. Kennedy's clairvoyance is as good today as Mr. Eisenhower's was two years ago we should not waste time haggling over eighths and quarters but should be selling stocks right here while prices are right. This seems to me to be good, simple, straightforward investment advice.

As an old customer's broker, however, I can't resist the temptation to play it smarter than anyone else, so I assume one can stay long the market on a sort of momentum theory. While the market continues to rise we sit tight; if it loses its momentum and the averages break the previous month's low we sell. You will

perhaps call this a simple minded scheme for simple minded people, but I think it's as good a way as any to stay invested in a market you think is too high.

Defines Market Forecasting

The question really is one of momentum and it seems to me that in a discussion of this sort it is a mistake to deal with "fundamentals." Interest rates, foreign relations, politics, and that sort of thing are of vital importance in making investment decisions, but market forecasting is primarily a psychological skill and usually a matter of guessing how public opinion is going to react to facts already known. Reactions like the one we had last summer are very good for determining whether the buyers or the sellers are going to turn out to be the weaker group. Periods of congestion such as we had in December are disturbing since they show buying and selling roughly in balance. However, December is always thought to be a peculiar month because of year-end tax operations, so we arrive in January with the surprise steel strike settlement and a big upside breakout which lasts for just one hour and then completely fizzles.

In my opinion this kind of action should not be unexpected when the averages have just made a new high and after a few days of milling around one would expect a good upward move to get underway with motors, coppers, steels, rails, and other cyclical somewhere near the front. On the other hand, one should not rule out the possibility that Monday's (Jan. 4) rise was a false move, in which event further easiness and congestion might last a few more days after which we might find ourselves heading into a good, stiff reaction. My own view is that the market will rally from here, but I have been wrong often enough to be just a little cautious, and that is the reason for the elaborate mental stop loss tactics mentioned earlier. If this market is through going up it will probably not settle for the kind of mild tea party reaction we had last summer.

Of course many will argue (and I will agree) that discussions of the market as such are a waste of time when the watchword is selectivity. No matter how sure we are that our favorite stocks will improve—rain or shine—we are all vitally interested in guessing where the Dow Jones Industrials will be six months or a year from now. The Dow Jones may go up a 100 points leaving our pet stocks high and dry and our customers with only slight misgivings of our inadequacy, but let the Dow Jones decline a 100 points and many of these same customers will be in a state of shock if we haven't sold some of their securities to give them "protection."

This is why market forecasting will always be of vital interest to those of us who earn our living dealing with the public. I can only apologize for not providing

a battery of optimistic forecasts, but at this point discretion looks like the better part of valor.

*An address by Mr. Thurlow before the Association of Customers' Brokers, New York City, Jan. 7, 1960.

Wm. S. Wasserman Forms Own Firm

William Stix Wasserman has formed Wm. Stix Wasserman and Co., Inc., with offices at 70 Pine St., New York City, to engage in the securities business. Mr. Wasserman was formerly a principal of Truman, Wasserman and Co.

Schweickart & Co. Appoints Barnett

Harold Barnett has become associated with Schweickart & Co., 29 Broadway, New York City, members of the New York Stock Exchange, as manager of the underwriting department.

With Marshall & Assoc.

CHICAGO, Ill.—William C. Dunn has joined the staff of Marshall and Associates, 75 East Wacker Drive.

Lehman Bros. Will Admit Three

Lehman Brothers, 1 William Street, New York City, members of the New York Stock Exchange, have announced that William H. Osborn, Jr., Raymond R. Rusmiser and Andrew G. C. Sage II



Wm. H. Osborn, Jr.



Raymond R. Rusmiser



Andrew G. C. Sage II

will be admitted as general partners in the firm; subject to the approval of the Board of Governors of the New York Stock Exchange.

Mr. Osborn has been associated with Lehman Brothers since 1948. Mr. Rusmiser has been associated with Lehman Brothers for 17 years, and Mr. Sage has been with the firm for the past 12 years.

Form American Planning

BROOKLYN, N. Y. — American Planning Co. has been formed

with offices at 16 Court Street to engage in a securities business. Partners are Arthur and Martin Karduna.

This advertisement is not and is under no circumstances to be construed as an offering of any of these securities for sale or as a solicitation of an offer to buy any of such securities. The offering is made only by the Prospectus.

NEW ISSUE

January 8, 1960

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January 14, 1960

U. S. Chemical Industry Faces a Growing Threat

By Gen. John Hilldring,* Chairman of the Board, General Aniline & Film Corp., New York City, Chairman, European Common Market Subcommittee of the Chemical Manufacturers Association

Trade threat emanating from European Common Market is viewed less seriously than the threat of European research progress, but both are depicted as less significant than the looming competition in the world market from the U. S. S. R. empire. The next ten years are held fraught with basic, far-reaching changes, tests and struggles in our economy. Gen. Hilldring calls for more research chemists, discusses tariff policy, and warns we have no time to lose in getting ready to meet Soviet competition.

The mission assigned to the Subcommittee by the Chemical Manufacturers Association was a simple one. It was to find out what the European Common Market is and whether it offers any sort of threat to the U. S. chemical industry. If any threat is found to be present what, if anything, can we, the industry, do about it.

The European Economic Community, also known as the European Common Market, consisting of Germany, France, Italy and the Benelux countries, came into being on Jan. 1, 1959. It is without a doubt the most important economic development in Western Europe in this century. It will certainly give, in fact it has already given, enormous economic strength to the free nations of Western Continental Europe, for which reason its existence and success is a matter of very great political importance to the United States.

Does See a Future Threat in ECM

The European Common Market has the unqualified support of our government and it deserves and should receive the warm endorsement and support of our industry and of all of our citizens. But this does not answer the principal question which confronted the Committee and which confronts the industry. Does the European Common Market constitute any sort of threat to us? The answer to that question is—yes, it does. The countries of Western Europe which comprise the Common Market practice a modified free enterprise system with monopolistic overtones. It is quite different

from the competitive free enterprise we know here at home. It has to be different because Europe's basic economic situation is different. We feed ourselves. In fact, one of our present embarrassments is our food surplus. Europe, on the other hand, must import a large amount of the food it needs. We lack a few basic raw materials for industry but, generally speaking, we are self-sufficient. The reverse is true in Europe. Ships sailing the seven seas are bringing to Europe every day the raw materials it desperately needs for its industry and transportation.

Practically, philosophically and historically, Europe has one abiding compulsion, namely to export its manufactured goods in order that it may import food to feed its people and raw materials to stoke its furnaces and factories. The main purpose behind the European Economic Community is the penetration of world markets. It is not primarily concerned with raising the standard of living of its people. This will occur in due course to some extent but it is not a primary motivation. Neither is it concerned particularly with adherence to the theory of competitive free enterprise. It is not and will not be preoccupied with the establishment of free trade in the world. Its purpose, first and last, is and will be to sell its manufactured goods throughout the world. The effectiveness of the European Common Market in pushing its trade to the four corners of the earth is self evident. The strength of Western Europe in accomplishing miraculous results in its foreign trade, once its vast industrial potential is harnessed and directed by the machinery of the Common Market, is not difficult to measure. It will be tremendous.

I should like to consider several of the situations which confront us as a consequence of the advent of the Common Market.

Would Match Protective Status
In the beginning, let us con-

sider how the Common Market may be expected to regard its chemical industry. We cannot say definitely at this moment what its position will be because no decision has as yet been taken by the Central Authority of the Common Market. We do know however that two of its members, Germany and France, do now regard their chemical industry as vital to national security and economic welfare. In view of the attitude of these two governments, it seems safe to assume that the Common Market will in due course give preferential status to the whole chemical industry of all the countries in the Common Market. The Subcommittee recommends that this development be watched. Whatever status the chemical industry may enjoy eventually in the Common Market, the same status should be accorded by our government to our chemical industry.

The Subcommittee also believes that the Association should keep itself informed in general about the development of the European chemical industry as the Common Market unfolds. We have the feeling that there will be important, perhaps even dynamic, changes in the industry in Europe in the early years ahead. Organizational changes, changes in methods of operation, increasing capacities and lower production costs can be anticipated, and we should inform ourselves promptly about these developments.

Wants Reciprocity in Tariff Concessions

It is not the function of this Committee to advise the Association on the position it should take with respect to U. S. tariffs. However, we are pointing out to the main Committee that the Chemical Manufacturers Association should undertake a study of the effect which the new tariff arrangements in the Common Market, both externally and internally, will have upon U. S. exports to Europe. And we have made several other suggestions which I am sure will receive the serious consideration of the International Commercial Relations Committee. In this connection one fact should be borne in mind by the Association, namely that when our European friends think and talk about the penetration of foreign markets they are not excluding from their thoughts the U. S. market. As to tariffs, I believe I can say this much. We do not believe that our problems of the future are going to be solved by erecting a high tariff wall around the United States. We do believe, however, that tariff concessions by us in the future should be selective and really and truly reciprocal.

We also believe that GATT will be an important agency for dealing with the Common Market on tariff questions and we have in consequence sent specific recommendations to the GATT Subcommittee on this subject.

We are not recommending what action any individual company should take as a consequence of the Common Market but we are including in our report some advice for those companies who do decide to join EEC.

Finally, I want to discuss the technological dangers which seem to us inherent in the new European Economic Community. Research and technological superiority are the essence of success in the chemical industry. In a sense the chemical industry is a battle of research. The nature of our economic system is such that a great deal of overlapping and duplicating research effort occurs. In fact, it is inescapable. This is not true of research in the countries of Europe and will not be true, in our judgment, of the European Common Market. The emergence of the Soviet Union as a trading nation will force the European Common Market to budget its research with maxi-

mum efficiency regardless of any other consideration.

Calls for More Research Chemists

It is here in the area of research that the U. S. chemical industry will face perhaps its greatest threat. At the moment we can offer only one suggestion, namely to produce more research chemists than are now emerging or are at present contemplated. This is admittedly not a complete or satisfactory answer but it will help.

No talk on the Common Market can be complete without a mention of the Free Trade Area and the Soviet Union. The Free Trade Area or "Outer Seven" is an economic grouping consisting of the United Kingdom, the Scandinavian Countries, Switzerland, Austria and Portugal, which came into being three weeks ago. This is a customs union similar to the union operated by Benelux for some years after World War II.

The establishment of the Common Market and the agreement on a Free Trade Area by the "Outer Seven" has changed the tone and nature of economic discussions in Europe. Last year the emphasis was on rivalry between the two groups and dire predictions by the partisans of one group about the other. This acrimony has largely subsided and there is more sensible discussion now as to how the two factions can solve their differences, how they can work together, even how down the road they may arrange a consolidation of forces to meet the common threat.

USSR Viewed as Greater Threat

The common threat of course is the economic competition which they all expect from the East. One driving force and perhaps the most compelling one behind the urge to get the Common Market into business and to put together without delay a Free Trade Area is the looming competition in the world market from the Soviet Union and its satellites. Several important European industrialists with whom I talked this summer were sure in their own minds that the next great battle in the cold war is going to be a trade battle between State Capitalism and the kind of free enterprise practiced in Western Europe.

Barring a shooting war, this is the battle that will occupy the center of the stage for the next 20 years. The object of the campaign obviously will be to find out which area will control world trade. It was amusing to several American friends I encountered in Europe this summer that Europeans do not include the United States as an important participant in this struggle. To me, it was not too amusing.

Of course, I do not agree that U. S. industry will not be present in an important way in this new struggle, because it will. But I disagree with those of my countrymen who believe that no great change will occur in our industrial way of life because of the economic resurgence of Europe, or the emergence of the Communist nations as world traders. In my judgment, we shall experience in the next 10 years fundamental and far-reaching changes, tests and struggles in our economy, as a result of these events, and we have no time to lose in getting ready for them.

*From a report by Gen. Hilldring, Chairman of the European Common Market Subcommittee delivered to the Annual Meeting of the Synthetic Organic Chemical Manufacturers Association, New York City.

J. P. Gallagher With Rodman & Renshaw

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — James P. Gallagher has become associated with Rodman & Renshaw, 209 South La Salle Street, members of the New York and Midwest Stock Exchanges. Mr. Gallagher, who has been in the investment business for many years, was formerly with Reynolds & Co. in charge of the municipal bond department in the Chicago office. Prior thereto he was with McDougal & Condon, Inc. and David A. Noyes & Co. In the past he was an officer of Thomas E. King & Co.

Three Officers for Distributors Group

Distributors Group, Inc., 63 Wall St., New York City, have elected Albert E. Merick, Jr., William C. Roper, and Edmund J. Wardell Assistant Vice-Presidents. Mr. Merick is regional manager of the South Central States, with headquarters in New Orleans; Mr. Roper is regional manager for the Central Atlantic States, with headquarters in Charlotte, N. C., and Mr. Wardell, formerly an officer of Texas Fund Management Co., is regional manager for the Southwestern States with headquarters in Houston.

All of these securities having been sold, this advertisement appears as a matter of record only.

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British Reaction to U. S. Steel Settlement

By Dr. Paul Einzig

Incongruously as it may first appear, the inflationary implications of our steel settlement are said to have caused a bearish impact upon British equities. Dr. Einzig attributes this to the fear felt that we will raise our interest rates higher—causing outflow pressure on British funds. The London writer relays the growing confidence held in Britain as to the prosperous prospects of British industry production. He anticipates, however, one or more moves by the Government to compel lower consumer goods prices.

LONDON, England—The news of the settlement of the American steel strike found the London Stock Exchange in an optimistic mood in which almost any news was liable to be interpreted in an optimistic sense. The immediate response was a further accentuation of the rising trend in British equities. Before very long, however, second thoughts began to prevail, especially after it became evident that the cost of the settlement was an inflationary increase in wages in the United States steel industry. As far as it is possible to judge from this side of the Atlantic, it seems probable that the terms of the settlement will mean higher steel prices causing an all-round rise in the cost of American manufactures, and also an all-around increase in wages in other industries. A commentator in London expressed widespread opinion when summing up the situation in the sentence that the terms of the steel strike settlement have made the United States safe for inflation.

It Caused Equities to Drop

On the face of it this might appear as a bull point for British industries, since higher cost of production in the United States would help them against American competition. This was not the view taken by the London Stock Exchange. As soon as the inflationary implications of the strike settlement came to be realized the trend of British industrial equities changed sharply downward. This was because of fears that the inflationary consequences of the settlement would induce the United States authorities to resort to disinflationary monetary measures. It is assumed that the billions of dollars added directly or indirectly to the national wages bill would have to be offset somehow in order to prevent a steep rise in prices. It is taken for granted in London that this will be attempted by means of higher interest rates and credit squeeze. High money rates in New York

would attract funds from London, and even though the British authorities may feel that for the present they could afford to continue to lose gold, a stage might be reached, before we are many months older, at which it would be found expedient to check the outflow by raising the British bank rate.

The gilt-edged market, too, reacted unfavorably to the American steel settlement. The luckless holders of Government loans get it in the neck both ways. When equities are booming investors switch over from gilt-edged securities. When equities react unfavorably to higher interest rate prospects those prospects hit the gilt-edged market as well as the industrial market.

To the extent to which high interest rates in the United States would be unable to check a rise in American prices and costs, the United States balance of payment would suffer and the resulting outflow of gold would lead to an accentuation of disinflationary policies. The prospects are viewed with pessimism in London.

Prosperous Year Seen

Nevertheless, this does not necessarily mean that the boom in equities in London has come to an end. Indeed after two days' set back the markets became steadier. Disregarding the unfavorable change in interest rate prospects, there is a growing confidence in the prospects of British industrial production. New Year pronouncements by leading industrialists encouraged hopes that the heavy industries would have a really prosperous year. Engineering firms and firms engaged in the production of heavy electrical equipment have been getting substantial orders both at home and abroad. They are certain to be fully occupied during this year right to the limits of their capacity. The question is whether they will be forced to concede wage increases which would materially reduce their profit margins.

Consumer goods industries are somewhat under the cloud of the campaign waged by the Chancellor of the Exchequer, Mr. Heathcoat Amory, in favor of price cuts. So long as the campaign is confined to exhortation the industrial firms can afford to ignore it. It seems probable, however, that the Chancellor's words will be followed by Government action, partly in the form of legislation depriving manufacturers of the means to prevent competitive price reductions of their goods in the retail trade, and partly by resorting to free trade abandoned 30 years ago. It seems probable that we shall witness in the near future a number of reductions of import duties partly in connection with the European Free Trade movement, but also independently of it, even in the absence of reciprocal concessions. The Government may endeavour to correct overfull employment in certain industries by admitting more rival goods from abroad. It is also prepared to sacrifice some of the less efficient industries working at unduly high cost under the protection of customs tariffs.

It seems that the two main political parties have swapped roles in respect of their attitude towards free trade. In the early 'thirties it was the Labor Party which was in favor of free trade but now it has become as Protectionist as the Conservative Party has ever been throughout its whole existence. On the other hand, the Tories are prepared to make tariff changes which would hit hard many firms incapable of reducing their costs.

Casto Treas. of Atomic Develop.

WASHINGTON, D. C.—Harold J. Casto has been elected Treasurer of Atomic Development Mutual Fund, Inc., 1033 Thirtieth St., N. W. Mr. Casto has been associated with the fund since he entered the securities business in 1954.

W. C. Pitfield Names Asst. V.-P.s

W. C. Pitfield & Co., Inc., 30 Broad St., New York City, has appointed John M. Fitzgerald and Archie F. MacAllister Assistant Vice-Presidents of the company.

Purvis Adds to Staff

DENVER, Colo.—C. Glen Dugan has been added to the staff of Purvis & Company, Equitable Bldg.

Fed. Land Banks To Offer Bonds

The twelve Federal Land Banks are arranging to offer publicly \$232 million of bonds to redeem \$124 million of 2 1/4% and \$89 million of 3 3/4% bonds due Feb. 1, 1960, to repay short-term borrowings and provide funds for lending operations, John T. Knox Fiscal Agent of the Federal Land Banks, announced on Jan. 8.

The new consolidated bonds to be offered will consist of two issues: \$150 million due Dec. 20, 1960 at 100 and \$82 million 5 1/8% bonds due Feb. 20, 1970. Rate on the 1960 maturity and price on the 1970 maturity was announced

on Jan. 13. Both issues will be offered for cash with no exchange privilege being given holders of the maturing bonds.

The offering will be made through Mr. Knox, with the assistance of a nationwide group of securities dealers and dealer banks.

Irving Lundborg Partners

SAN FRANCISCO, Calif. — On Jan. 14 Rollo H. Payne and Fred E. Hollenbeck of Carmel and John D. Murphy of San Rafael will be admitted to partnership in Irving Lundborg & Co., 310 Sansome Street, members of the New York and Pacific Coast Stock Exchanges.



Commercial Bank of North America

STATEMENT OF CONDITION

December 31, 1959

RESOURCES

Cash and Due from Banks	\$ 27,346,278.43
U. S. Government Obligations	46,764,663.87
Federal Agency Issues	285,000.00
Other Bonds and Securities	9,873,462.43
Loans and Discounts	87,754,335.52
Real Estate Mortgages	1,847,394.24
Customers' Liability for Letters of Credit and Acceptances	2,084,914.24
Bank Building Owned	44,807.97
Furniture, Fixtures and Improvements	1,442,412.18
Accrued Interest Receivable	484,802.78
Other Resources	801,584.90
	<hr/>
	\$178,729,656.56

LIABILITIES

Deposits	\$160,209,786.26
Unearned Discount	1,375,867.00
Letters of Credit and Acceptance Liability	2,085,912.77
Other Liabilities	597,912.58
Reserve for Taxes and Interest	321,196.51
Dividend Payable	122,948.75
*Reserve for Possible Loan Losses	2,334,859.29
Capital Funds:	
Capital Stock	\$2,459,875.00
Stock Dividend Payable	61,500.00
Surplus and Undivided Profits	4,530,298.40
Income Debentures	3,750,000.00
Reserves	879,500.00
	<hr/>
	\$178,729,656.56

* No losses adversely affecting this reserve are known to exist.

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January 12, 1960

Monetary Policy's Impact On Local Governments

By Frank E. Morris,* Research Director Investment Bankers
Association of America, Washington, D. C.

In answer to the "hot political issue" that monetary policy unduly penalizes State and local government public works spending, analysis shows this has not been so in the period since 1952 covering two complete business cycles. Far from throttling or severely curtailing such governmental projects, study concludes monetary restraint's impact limited only about 5% of marginal, postponable capital projects and, nevertheless, had a beneficial contra-cyclical stabilizing effect upon the economy. A distinction is made between State and local government bond sales, contract awards and construction put in place, and experience is said to suggest that contra-cyclical public works plans kept on a shelf for a future recession at the local level is feasible which, however, may not be true at the Federal level.

One of the major issues in the current controversy over monetary policy relates to the allocative effects of monetary controls, their relative impact on the various sectors of the economy. It has been charged that our present tools and techniques of monetary control, operating through the existing structure of financial institutions have the effect of unduly restricting certain sectors of the economy during generally prosperous periods. Specifically, it has been charged that the brunt of a restrictive monetary policy is borne by residential construction, state and local governments, and small business. At the same time, it is alleged that certain other types of borrowers, notably large corporations and consumers (in their purchases of durable goods), are not restrained to any significant extent by a tight money policy.

The objective of this paper is to assess the impact of monetary policy on one of the sectors commonly believed to be most affected, state and local governments. This is not only a subject of interest to students of central banking, it is also a very hot political issue. In recent sessions, the Congress has spent a sizable portion of its time considering legislation designed to moderate, in one way or another, the impact of a restrictive monetary policy on particular sectors of the economy, and much of this legislation has concerned state and local governments.

The Approach Used

Anyone attempting to evaluate

the effects of monetary policy is certain to find it an elusive problem, because the investment decision invariably reflects the influence of a complex of factors, of which the monetary climate is only one. The conclusions reached in this paper are based on a study of the behavior of bond sales, construction contract awards and construction put in place by state and local governments during the period from 1952 to date. Although this is a relatively short period of time, it does cover two complete business cycles and, more important, it covers almost all of the postwar period since the Federal Reserve-Treasury accord of 1951 reactivated monetary policy.

The analysis will take the form of an examination of the fluctuations of bond sales, contract awards and construction put in place relative to the business cycle, using the reference cycle dates of the National Bureau of Economic Research.¹ The principal hypothesis to be employed is that, if state and local governments are sensitive to a significant degree to monetary policy, a contra-cyclical pattern in bond sales, contract awards, and construction put in place should be expected to exist. If the movements of these variables tend to coincide with the business cycle or to bear no reasonably consistent timing relationship to the cycle, it will be concluded that they are

¹ Two years ago the writer explored a different approach (see the *IBA Statistical Bulletin*, No. 3, April 1957, published by the Investment Bankers Association of America, Washington, D. C.). It was based on an analysis of State and local government bonds offered for sale but not sold. This approach proved inadequate on two counts. On the one hand, it understated the impact of monetary restraint in that it took no account of bond issues which might have been sold under easy money conditions but which never advanced to the stage where an offering date could be established. On the other hand, it overstated the impact of monetary restraint in that it took no account of projects which were carried forward with short-term financing, even though the bonds for the project had not been sold.

not very sensitive to monetary policy or, at least, that their fluctuations are dominated by other causes.

The Findings

Before presenting the data, it may be useful to summarize some of the most significant findings. They are the following:

(1) State and local government bond sales appear to be moderately sensitive to monetary policy. Since 1952, they have followed a fairly consistent contra-cyclical pattern. In both business cycles the peak rate of bond sales was reached in the 12 months centered around the recession troughs. Roughly speaking, the pattern has resulted in shifting about 10% of bond sales from the final stages of the boom to the recession and recovery periods.

(2) A definite contra-cyclical pattern is also apparent in contract awards and construction put in place by state and local governments. However, the amplitudes of the fluctuations are much smaller than those of bonds sales. This is due, in part, to the fact that a substantial proportion of state and local construction is not financed through the bond market. In addition, in the case of construction put in place, there is the natural dampening factor that work on a project is usually spread out over a period of many months. In the case of contract awards, the data suggest that roughly 5% of the awards are shifted from the final stages of the boom to the recession and recovery periods. In the case of construction put in place, the comparable percentage would be somewhat smaller.

(3) The contra-cyclical movements of state and local government construction put in place are substantially smaller in amplitude than those of residential construction. On the basis of the contra-cyclical deviations from regression lines constructed for the 1952-1958 period for construction put in place, the state and local government sector would appear to be only about one-fourth as sensitive to monetary policy as residential construction.

(4) Monetary policy clearly affects some types of state and local projects much more than others. With respect to less postponable types of projects, such as schools and water and sewer projects, the evidence suggests that they tend to go ahead largely unaffected by the state and the money market. School bond sales, for example, showed their greatest advances during the first half of 1953 and the first half of 1957, both periods of sharply rising interest costs. During the easy money period of 1954, school bond sales did not respond with substantially increased volume, but tended to level off close to the sales volumes attained during the mid-1953 period of high interest rates. Similarly, in the most recent recession, school bonds sales did not respond substantially to lower interest costs. In fact, the present downward trend in school bond sales, which is causing so much concern, dates from February 1958, well before interest rates started to rise. Contract awards for school construction peaked out even earlier, the highest levels being attained during the 12 months centered around the July 1957 peak in economic activity. This evidence suggests that school bond sales and school construction work are relatively insensitive to interest rates and that movements in these variables are dominated by other causes than money rates.

Similarly, water and sewer bond sales, contract awards and construction put in place have shown no tendency to move in a contra-cyclical manner. However, excluding schools and water and sewer projects, the other types of state and local capital projects, as a group, have shown a very pronounced contra-cyclical movement.

(5) The contra-cyclical behavior of state and local government bond sales, contract awards, and construction work has contributed significantly to the stabilization of the economy since 1952. One of the unusual features of the past two recessions has been the stability of construction expenditures. This stability is attributable to the contra-cyclical behavior of residential and state and local construction. From the July 1953 peak to the August 1954 recession trough, for example, construction put in place (seasonally adjusted) rose by 7%. This 7% rise during the recession was composed of a rise of 14% in residential construction, a rise of 20% in state and local government construction, and a decline of 3% in the residual of all other types of construction.²

Considering both the 1953-1954 and the 1957-1958 recessions, state and local government construction has been quantitatively more important than residential construction in maintaining the volume of total construction work during the recessions. Residential construction has, however, played a much larger role in raising the volume of construction work during the first year of the post-recession expansions.

The Data

The data used cover interest rates on state and local government bonds and the volume of bond sales since 1952.³ The monthly bond sales figures are highly erratic in behavior, a fact which is due, in part, to seasonal influences and, in part, to the timing of the sale of large issues. For this reason, a 12 month moving average is used to bring out the cyclical trend. The marked similarity of the contra-cyclical behavior of state and local government bond sales during the two business cycles covered by this paper suggests that they are moderately sensitive to monetary policy. As noted earlier, the pattern has been for bond sales to reach a peak rate during the 12 months centered around the bottom of a recession. Thereafter, the rate of bond sales has tended to decline gradually until the next recession appears.

The amplitudes of the swings are, however, rather moderate. One measure of the extent of the contra-cyclical swings in state and local government bond sales may be obtained by measuring the deviations from a linear regression line constructed for the 1952-1958 period. During the two recession periods, bond sales

² Volume of New Construction Put in Place, 1945-1958, U. S. Department of Commerce, June 1959.

³ The interest rates are from *The Bond Buyer's 20-Bond Index*, the most commonly used general measure of interest rate levels in the municipal bond market. The bond sales statistics for 1952 through mid-1956 are from *The Bond Buyer*. For the period from mid-1956 through 1959, the statistics used are those compiled by the Investment Bankers Association of America. Since the two series are quite comparable, they are linked together without adjustment.

averaged 17.8% above the regression line. During the first year of the two expansion periods, sales averaged 4.8% above the regression line. During the remainder of the two expansions, sales averaged 6.5% below the trend values.

The data on bond sales can be broken down into three uses of proceeds categories: education, water and sewer, and all other.⁴

Education and water and sewer bonds account for about half of all state and local government bonds sold. They were singled out for special treatment because schools and water and sewer projects were considered to be less readily postponable than most other types of state and local capital projects. Can the data throw some light on the question: Does a restrictive monetary policy cut more or less evenly across the board with respect to the various types of state and local projects, or do the more urgent projects tend to go ahead regardless of the state of the money market? The record of school and water and sewer bond sales suggests that the latter is the case.

As noted earlier, school bond sales have not followed a contra-cyclical pattern. Water and sewer bond sales have also shown little sensitivity to monetary policy. On the other hand, the residual (excluding education and water and sewer bonds) has shown a very marked contra-cyclical pattern similar to that of total state and local government bond sales but with greater amplitudes.

What about 12-month moving averages of bond sales, construction contract awards and construction put in place by state and local governments, all stated in 1947-49 dollars?⁵ Between January, 1952 and August, 1959, the average increase in construction costs on public construction amounts to about 17% (on water and sewer projects, the increase has been about 42%). If not eliminated, price level changes of these magnitudes tend to obscure the cyclical pattern.

Contract awards and construction put in place by state and local governments tend to follow the same general sort of contra-cyclical pattern that was found in bond sales, with brief lags. However, the amplitude of the fluctuations around the regression lines is much smaller. As noted

⁴ The education and water and sewer bond sales data for the 1952-56 period were compiled by the Federal Reserve Board of Governors and cover only bond issues of \$500,000 or more. The data for the period July 1956 to the present were compiled by the Investment Bankers Association of America and cover all issues, regardless of size. The Federal Reserve series were discontinued as of December 1956.

⁵ The "all other" figures are residuals obtained by subtracting the education and sewer and water bond sale figures from the total bond sale figures. Because of the broader coverage of the IBA series on education and water and sewer bonds, the residual is thus correspondingly smaller.

⁵ Deflated by the Department of Commerce price index for all public construction.

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January 7, 1960

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Copies of the Prospectus may be obtained only in such States where the securities may be legally offered.

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All of these shares having been sold, this advertisement appears only as a matter of record.

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earlier, the principal reason for the smaller amplitudes in contract awards is that many state and local capital projects are not financed through bond sales. In 1954, for example, 59% of capital expenditures were financed by borrowing, 33% were financed from current revenues and balances, and 8% were financed from Federal aid.⁶ In a tight money market, even some of the borrowing will be done short-term, with the hope of funding the debt at lower interest rates at some future time.

Table I below shows the percentage deviations from the 1952-58 regression lines for bond sales, contract awards and construction put in place during the years pre-

⁶ "Financing Capital Expenditures of State and Local Governments, 1947-1954," by Robert F. Drury, in *Construction Review*, June 1956.

⁷ The single exception was that during the 12 months centered around the 1958 recession trough, construction put in place (although averaging 7% higher than during the year ending with the July 1957 peak) fell somewhat farther below the regression line. In part, this is attributable to the extreme brevity of the 1957-58 recession.

ceding the 1953 and 1957 peaks and during the years centered around the 1954 and 1958 recession troughs. A pronounced contra-cyclical behavior is clearly evident.⁷

The behavior of the series on education bond sales, contract awards and construction put in place, all stated in 1947-49 dollars⁸ since 1952, suggests that the level of interest rates is not a dominant factor in determining the volume of school bond sales or construction. Considerable concern has been expressed in recent months about the downward trend in school bond sales, contract awards and construction work; and there has been some inclination to attribute the declines to tight money.⁹ However, the fact is that the declines in these series started during the recession, well before the Federal Reserve moved

⁸ Deflated by the E. H. Boeckh and Associates index for apartments, hotels, and office buildings. This is the index used by the U. S. Office of Education for school construction costs.

⁹ See, for example, *Business Week*, the issue of Nov. 21, 1959.

Continued on page 30

FROM WASHINGTON ...Ahead of the News

BY CARLISLE BARGERON

There is increasing criticism in political Washington, from Republicans and Democrats alike, over the steel strike settlement which, according to all accounts, was handled by Vice-President Nixon and Secretary of Labor Mitchell.

The size of the package which Nixon and Mitchell practically handed the steelworkers on a silver platter was a general surprise and there seems little doubt that the industry was pressured into accepting it. Kaiser, who had signed up weeks before, got a much better deal.

Senator Butler, a Republican from Maryland, has denounced the settlement as a political deal, not collective bargaining. Senator Capehart, another Republican of Indiana, feels the same way although he has made no public statement.

The mediator who had worked long on the case is understood to have prepared a much more modest package which he believed both sides would have accepted. He intended to submit it after the strike vote was conducted by the National Labor Relations Board, feeling there was no use to submit anything until this was out of the way. The mediator, Joseph P. Morgan, and his associates at the Labor Department are said to be burning over the manner in which they were given the run-around.

Insofar as Nixon's participation was concerned, it was at the direction of the President. Before Mr. Eisenhower left on his four-continent trip, he is reported to have told Mr. Nixon to take over.

Strangely enough most of the criticism of the settlement comes from Republicans. The Democrats do not want to be put in the light of objecting to anything labor could get.

Criticism or no criticism, the settlement has boosted Mr. Nixon's Presidential stock for the time being. If the steel companies were to raise prices it would be a different story.

The steel operators say they have no immediate intention of boosting prices although the settlement is expected to add about \$2 billion to their expenses of operation. This has led to reports, widely prevalent in official Washington, that they gave Nixon a promise not to increase prices until after the elections next November.

Doubtful if this is true, but the fact remains that the wage increase given to the workers as distinguished from the fringe benefits does not become effective until next December 1. That is after the elections. The wage increase is the largest part of the package. In the meantime, aside from the criticism in political quarters and possibly elsewhere, the great majority of the people are glad to see the strike settled.

The settlement has caused the heat to be taken off Congress for additional labor legislation, but a possible railway strike is looming ahead. It would present just as serious a threat to the nation's economy as did the steel strike.

Congressmen and Senators are receiving all sorts of mail demanding that the unions be placed under the antitrust laws. No one union dominated by one man, these letters say, should be able to tie up the entire economy of the country.

The truth is, however, that it was David McDonald, the steelworkers' President, who demanded that the companies negotiate separately. The companies wanted industry negotiation and only agreed to separate bargaining at the last moment.

History in Washington is that

O'Connell Named By Blair & Co., Inc.

Blair & Co. Incorporated, 20 Broad St., New York City, members of the New York Stock Exchange, announced the election of



Homer J. O'Connell Andrew D. Cornwall

Homer J. O'Connell as Executive Vice-President and Andrew D. Cornwall as Assistant Vice-President.

Mr. O'Connell joined Blair & Co. Incorporated in 1958 as manager of the Institutional Sales Department and Vice-President and Director of the investment firm. Prior thereto he headed up his own investment firm, Homer O'Connell & Co., Inc. in New York City from 1946 to 1958. He started his career in the securities business in 1929 as a clerk and trader with a Wall Street house.

Mr. Cornwall became associated with Blair & Co. as a member of the Corporate Bond and Syndicate Department in 1958 after five previous years of service with another investment firm from 1949 to 1951 he was in the Personal Trust Department of a New York commercial bank.

Dempsey-Tegeler Branch

LAWRENCE, Kans. — Dempsey-Tegeler & Co. has opened a branch office at 840 Massachusetts Street under the management of Ivan D. Rowel.

Oppenheimer, Neu Appts.

Oppenheimer, Neu & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have appointed Fred Meer manager of trading foreign securities.

Richard E. Kohn to Admit C. P. Wuest

NEWARK, N. J.—On January 21, Christopher P. Wuest, member of the New York Stock Exchange will become a partner in Richard E. Kohn & Co., 20 Clinton St., members of the New York Exchange. Mr. Wuest has been a partner in Bernard, Winkler & Co.

Houston Stock & Bond Outing

HOUSTON, Tex. — The annual outing of the Stock and Bond Club of Houston will be held on Feb. 19, 1960, at the Brae Burn Country Club.

Chicago Analysts to Hear

CHICAGO, Ill.—Harold E. Churchill, President of the Studebaker-Packard Corporation will be guest speaker at the luncheon meeting of the Investment Analysts Society of Chicago to be held Jan. 14 at the Midland Hotel.

With Nehring & Ricketts

ELGIN, Ill.—John M. Johnston is now with Nehring & Ricketts, 4 South Grove Avenue.

Statement of Condition

At the Close of Business on Dec. 31, 1959

Assets

Cash and Due from Banks	\$ 7,913,110.65
United States Government Securities	14,914,842.94
State and Municipal Securities	16,740,060.48
Other Securities	2,780,304.27
Stocks	715,881.20
Bonds and Mortgages	5,927,176.16
Loans and Discounts	24,712,212.07
Bank Building	606,148.21
Other Assets	748,883.46
Total	\$75,058,619.44

Liabilities

Capital	\$ 2,662,000.00
Surplus	6,000,000.00
Undivided Profits	1,000,000.00
General Reserve	933,258.07
Unearned Discount and Other	
Deferred Credits	193,701.66
Reserves for Taxes and Expenses	86,420.77
Deposits	64,183,238.94
Total	\$75,058,619.44

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COMPARATIVE CONDENSED STATEMENT OF CONDITION

ASSETS

	December 31st 1959	1958
Cash on Hand and Due from Banks	\$ 51,713,808.61	\$ 28,527,091.13
U. S. Government Securities	94,268,361.87	109,386,352.59
Municipal Bonds and Other Securities	21,026,718.68	13,664,727.83
Loans Guaranteed or Insured by U. S. Government or Agencies	73,183,952.18	57,870,124.26
Other Loans and Discounts	196,659,814.19	163,754,454.91
Bank Buildings	8,147,380.89	7,135,000.47
Furniture and Fixtures	2,032,772.07	1,669,589.60
Other Assets	2,651,741.77	2,047,574.80
TOTAL	\$449,684,049.86	\$384,054,915.59

LIABILITIES

Capital	\$ 10,003,570.00	\$ 8,314,165.00
Surplus	7,346,430.00	8,185,835.00
Undivided Profits	2,777,783.50	1,896,027.41
Reserve for Possible Loan Losses	12,399,851.26	10,000,082.29
Total Capital Funds	\$ 32,527,634.76	\$ 28,396,109.70
Reserve for Taxes, Interest, Etc.	5,467,984.41	4,491,269.38
Other Liabilities	218,554.68	528,762.94
Deposits	411,469,876.01	350,636,773.57
TOTAL	\$449,684,049.86	\$384,054,915.59

MR. "MEADOW BROOK" SERVES THE FASTEST
GROWING COUNTIES IN THE UNITED STATES

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Our Reporter on GOVERNMENTS

BY JOHN T. CHIPPENDALE, JR.

The improved tone which has been in evidence in Government securities is being looked upon in most quarters as a rally from what is termed a badly depressed and oversold market caused almost entirely by year-end tax selling. To be sure, there has been a pick-up in the demand for Government securities and this has tended to increase the volume and activity in these obligations. Even though there is more attention now for the more distant maturities, it is the near-term and intermediate term issues which have the real breadth and volume of activity.

The new money raising operation and the refunding of the 12-month Treasury bill are out of the way and the money market is getting around now to giving more attention to the February maturity which will most likely be refunded with a package deal.

Better Demand in Evidence

The January investment demand for fixed income bearing obligations continues to be sizable in spite of the renewed inflation psychology engendered by the steel strike settlement. It is also very evident that the prediction by President Eisenhower that the Federal budget would show a surplus of \$4.2 billion for the fiscal year ended June, 1961 had a favorable influence on Government bonds. These two forces, along with what seemed to have been an oversold market for the more distant maturities of Treasury obligations, brought about a rally in the quotations of these securities.

The improved tone for Government issues, especially those with a due date of more than five years, has been attributed to the demand from state pension funds, as well as a somewhat improved interest from the small individual investors who, according to reports, are putting money into selected Federal obligations at the expense of the savings banks, saving and loan associations and Government savings bonds.

Capital Gains a Factor

The large discount at which certain Treasury securities are selling is bringing into them a type of buyer that is interested in not only the eventual capital appreciation, but also the value they have for Federal estate tax purposes, as well as the prospects of favorable treatment in any program of "advance refunding," which seems to be in the wind.

Even though political fevers are still running rather high as far as the 4½% interest rate level for Government bonds is concerned, it is believed in most quarters of the financial district that this hindrance to long-term bond financing by the Treasury will be removed one way or another in the not-too-distant future. This would appear to open the way for "for-

ward (maturity) financing" by the Government.

The successful new money venture of the Treasury through the use of June 22 tax anticipation bills and their payment by means of the tax and loan account in the deposit banks paved the way for the \$1.5 billion of 12-month bills which went at a 5.067% basis. This offering was not payable through the Treasury tax and loan account and this was responsible in no small measure for the much higher rate required on the one-year bill. The commercial banks were not joining the underwriting of the Jan. 15, 1961 maturity.

General Rate Rise Expected

The upping of the rate for brokers' loans from 5% to 5½% may be the forerunner of higher rates for not only prime loans but also for the cost of borrowing from the Central Banks. It is evident that the demand for credit is going to be sizable for an extended period of time and usually with an enlarging of the need for funds comes higher interest rates. There is no question but what another increase in the prime bank rate will result in another boost in the discount rate.

Competition from corporate and tax-exempt bonds is still very much in the forefront of the market for Treasury obligations and, in spite of the tightness of money and credit, the non-Federal issues still give a better return than that which is available in Government securities. However, a long-term Treasury issue with a high coupon would have plenty of attraction for investors but this would take funds away from mortgages and other legitimate business needs.

Inv. Women to Hear

CHICAGO, Ill. — At the Jan. 20 dinner meeting of the Investment Women of Chicago at 6 p.m. at the Chicago Bar association, the guest speaker will be Nicolas Racz, member of the firm of Rogers, Slade & Hill, New York management consultants.

His subject will be: "From Hungary to the U. S. A."

Larry Fauci With Walston

Walston & Co. Inc., 74 Wall Street, New York City, members of the New York Stock Exchange, announced that Larry Fauci has joined their organization as Assistant Sales Manager in the Eastern Division, in charge of mutual funds. For the last eight years he has been previously Assistant Sales Manager, mutual funds, Ira Haupt & Co.

Morris Opens Branch

ALBANY, N. Y. — William S. Morris & Co. has opened a branch office at 284 State Street under the direction of Thomas C. Plowden-Wardlaw.

R. A. Bing Joins Dean Witter Co.

SAN FRANCISCO, Calif. — Dr. Ralph A. Bing, well known economist and security analyst, has joined Dean Witter & Co., 42 Montgomery Street. Members of the New York and Pacific Coast Stock Exchanges, as a senior analyst.

Dr. Bing served as Vice-President and head of the investment department of the Commonwealth group of mutual funds in San Francisco from 1957 to 1959. From 1949 to 1957, he was head of the research department of Sutro & Co., San Francisco.

The new senior analyst for Dean Witter & Co. has been a financial and economic analyst since 1944. He holds a Doctor of Law degree from Erlangen University in Germany and a Master of Science degree in economics from Columbia University, New York. He is a graduate of the Institute for International Studies, Geneva, Switzerland and at one time attended courses of the London School of Economics.

Paul R. Wiggins Joins James Talcott

Paul R. Wiggins, Assistant Vice-President of Bankers Trust Co. for the past 13 years, has been appointed senior new business consultant of James Talcott, Inc., one of the country's oldest and largest commercial and industrial financing and factoring organizations, it was announced by James Talcott, Chairman, and Herbert R. Silverman, President.



Paul R. Wiggins

Mr. Wiggins, who announced his retirement at the bank on Dec. 31, and previously been associated with the Commercial Credit Companies in Baltimore and New York for 25 years.

He joined Bankers Trust in 1946 to organize an accounts receivable financing department, and later specialized in the financing of import-export commodities. Mr. Wiggins is a resident of White Plains, N. Y.

Talcott, founded in 1854, is engaged in all phases of industrial finance: accounts receivable and inventory financing, mortgage, equipment and special loans, industrial time sales financing, factoring and rediscounting. Offices and subsidiaries are located in New York, Chicago, Detroit, Boston and Atlanta.

Metropolitan Securities Formed in Philadelphia

PHILADELPHIA, Pa. — Metropolitan Securities, Inc. has been formed with offices in the Lewis Tower Building to engage in a securities business. Officers are Alfred M. Sharp, President; Joseph S. Girard, Vice-President; and Donald Greenbaum, Secretary-Treasurer. Mr. Sharp was formerly with First Central Corp. and Albert Teller Co. Mr. Girard has been with H. A. Riecke & Co., Inc. and Reynolds & Co. Mr. Greenbaum was with First Central Corp.

THE MARKET . . . AND YOU

BY WALLACE STREETE

Industrial stocks staged declines for a handful of days going into this week which was in striking contrast with all the glowing year-end predictions and all the high promise supposedly offered by the Golden Sixties.



Ralph A. Bing

Gradual stiffening of the various interest rates, and the expectation that another tightening of the discount rate is only a matter of time, weighed heavily on investment sentiment, and prices eroded easily on the slightest selling as a result, the quality stocks were the ones most persistently under pressure, including steels, autos and chemicals.

The "Glamours" Re-Sparked

The "glamor stocks" also had their troubles although these were able to spark one spirited rally. For days the electronic and space age issues had been sliding downhill awaiting a new sound-and-picture recording device developed by General Electric. When it turned out that the device is far from perfected they were quick to rebound.

Technical considerations weren't overly favorable. In its slide downhill the industrial average fell through the expected resistance level around 666 by a good margin. That leaves the market without a clearcut "floor" under it, and the possibility that the eventual low for the move will have to be tested before real confidence could be expected to return to the market.

Volume indications were more favorable, no great turnover developing even on the more bleak days but perking up noticeably on rally attempts. Rails continued as the sturdier section of the new year, carried downward slightly by the persistent weakness in the industrial section but clinging grimly to a plus sign on the year, the only one of the indices that could make that claim this early in the young year. The industrial average meanwhile had retraced all of the ground covered throughout December.

Volume leadership was low grade, with such as Hupp, Alaska Juneau, Pacific Tin and Fairbanks Whitney appearing regularly in the list of most active issues.

There were other issues around in the low-price category that held merit to some of the market analysts, notably Continental Copper &

Steel which has been expanding busily and diversifying as it goes along. It once was maker of only insulated wire and cable but has added screening, alloys, tool steel, dies and others to its product mix.

Impact of Inventory Accounting Change

A change in the inventory valuation method slashed reported earnings in its 1958-59 fiscal year when under the old system a good increase would have been reported. And its new year got off to a good start with an earnings almost doubled in the first quarter. The stock, however, is available at a level a fifth under last year's high, offers a yield of more than 5% on the cash rate and supplements it with small stock dividends.

A transition was also made in A. O. Smith to reduce the company's reliance on automotive frames for so much of its business. Today its big profit division makes line pipe for oil and natural gas, oil well equipment and heaters which are estimated as supplying nearly two-thirds of its sales.

The steel strike cut hard into the business of A. O. Smith, so the shares have been anything but wonderworkers in the market. The booming auto business, plus the rebound with steel supplies available, makes it a logical candidate for better treatment when the figures start to emerge with some estimates indicating that on the basis of full year results the present price is less than 10-times earnings. The indications of results for fiscal 1959 were sufficiently encouraging to the management to warrant an extra dividend along with a small stock payment.

Electronic Laggard

Philco would seem statistically to be the laggard in the electronic section, well below its peak reached in 1955 when its earnings from the then appliance company were plummeting. Since, the company has stressed electronics and is usually rated as being either in first or second place in the transistor business and is deep in the field of making devices for satellites. The appliance business is believed pretty close to supplying only half of its sales, the non-consumer lines in position to become the major activity shortly.

Progress has also been made by Philco in the data processing machinery field although not, as yet, with any benefit to earnings since de-

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liveries are not starting until this year. In transistors, particularly the high-grade type in which Philco has been the only maker, the profit corner was only turned last year, so the real benefits are not yet apparent.

The tire stocks have been mundane recently even in the face of glowing predictions for new auto sales and the prospect of the rubber companies having a boom year in 1960. The companies long since diversified their products to where tires represent only about half of their business but it is still an important element. U. S. Rubber is the better apparent value in the group, offering a yield of around 3½% which is slightly better than average and holding under its 1959 peak. The larger discount from the high in the case of General Tire is confused by its ownership of Aerojet in the rocket field which has suffered severely recently as the space age items shed some of their glamor.

Auto Favorites Sag

Auto shares themselves were under occasional weight despite all their bright prospects, but that didn't prevent Ford from showing up among the many selections of issues likely to have a good time marketwise in 1960. So far Ford's compact car appears to have gained an edge over the competition, mostly because Ford steel production helped turn out the models during the steel strike. The company apparently is sufficiently encouraged with economy models to have announced a larger model, but still a compact one, this spring. It took over the No. 1 spot with the Ford model during 1959, which hasn't happened in some years.

The pressure settlement in the steel strike, without long haggling over work rules, to many presages an end to the threat of a rail strike over featherbedding. This impression could pave the way for a sharp recovery in rail profits, particularly for the better grade lines. Southern Pacific, for one, has stressed new equipment that is paying off in efficiency. Through the recession years of 1957 and 1958 it increased its profit-margin showing before taxes, and is believed to have kept up the progress despite the steel strike. The return here is better than 5%, or far above average.

[The views expressed in this article do not necessarily at any time coincide with those of the "Chronicle." They are presented as those of the author only.]

Henry M. Barlow

Henry Main Barlow, limited partner in Carreau & Co., New York City, passed away Dec. 28 at the age of 75.

Official Changes For Dovenmuehle

CHICAGO, Ill. — The Board of Directors of Dovenmuehle, Inc., 135 South La Salle St., Chicago's 116-year-old mortgage banking firm, have elected George H. Dovenmuehle, Chairman of the Board, and named Theodore H. Buenger, President, succeeding Mr. Dovenmuehle.

Mr. Buenger, who is also President-elect of the Chicago Mortgage Bankers Association for 1960, has spent his entire business career with the firm. He joined Dovenmuehle in 1945 following his release from World War II

military service, and became Vice-President and Director in 1951.

Mr. Dovenmuehle has been President of the company since 1955. He joined the organization in 1923 as a Vice-President and became Executive Vice-President in 1934.

The Board also announced the election of Luke Thornton, who joined Dovenmuehle in 1957 as a specialist in the Industrial and Commercial Department, to Assistant Vice-President.

Mr. Thornton came to Dovenmuehle from the Equitable Life Assurance Society of America where he specialized in mortgages on industrial properties, commercial buildings, retail stores, and apartment buildings.

Tucker, Dreisbach At Hayden, Stone

LOS ANGELES, Calif.—Elmer H. Tucker has been named manager of the institutional department for Western operations of Hayden, Stone & Co., 5657 Wilshire Blvd.

For the past 20 years, Mr. Tucker was assistant treasurer and investment manager of the Farmers Insurance Group. For 11 years prior to that, he was in the securities business in Long Beach as a partner of Tucker & Co. For five years he was director of research of the First National Bank of Los Angeles which later was merged into the Security-First National. For three years, he was assistant Federal Reserve Agent

for the Federal Reserve Bank of San Francisco and also a lecturer on banking at the University of California.

D. Gordon Dreisbach has been appointed to the research staff of the firm. Mr. Dreisbach will coordinate underwritings under the direction of W. Jay Maguire, research department manager.

Form Allied Secs.

GREENSBORO, N. C.—Allied Securities Corporation has been formed with offices at 210 Commerce Place to act as dealers and brokers in corporate and municipal bonds and mutual funds. Officers are Archie B. Joyner, President and Treasurer; George G. Jones, Vice-President and Secretary.

NATIONAL STEEL BUILDS FOR THE FUTURE

with a \$300 million program now in full swing to produce more of the products most in demand

A new expansion program already well underway will enable National Steel to produce and market more of America's most wanted steels—and to make them significantly better.

CONTINUING A POSTWAR POLICY. This program calls for the expenditure of \$300 million over a three-year period. It follows hard on the heels of a \$500 million investment in plant improvements and new properties which began in 1952. The current program will further broaden our share of the market and consolidate our position in the front rank of the nation's steel companies. Let's look at some of the major developments involved.

A "MILL OF THE FUTURE." National Steel's Great Lakes Corporation in Detroit is a major supplier of hot- and cold-rolled sheets and strip in the automotive industry, America's biggest steel customer. Here, we've started work on a "mill of the future"—an 80-inch, four-high continuous strip mill which will be the fastest and most powerful facility of its kind in existence. We'll supply to our car-building customers larger coils of sheet steel of the highest quality. And also at Great Lakes Steel, we're increasing ingot capacity by 500,000 tons to 4.2 million tons a year for this division alone.

A NEW KIND OF PLANT FOR A NEW DIVISION. On a 750-acre tract at Portage, Indiana, on the Lake Michigan shore, we're building a totally new plant for our newest division, Midwest Steel Corporation. From it will roll electrolytic tin plate, galvanized sheet steel and other flat rolled products for manufacturers in mid-America—one of the nation's largest consuming districts. These products will be finished from hot-rolled coils to be supplied by our Detroit operations.

STILL MORE TIN PLATE CAPACITY. At our Weirton Steel Company plants in Weirton, West Virginia, and Steubenville, Ohio, we've installed two continuous annealing lines and two electrolytic tin plate lines to increase production and improve the processing of tin plate. Weirton Steel already is one of the world's largest tin plate producers. Other improvements include facilities to increase the production of cold-rolled sheets.

OTHER NEW CONSTRUCTION. A new 48-inch coating line is being installed at Allentown, Pennsylvania, for our Enamelstrip Corporation, which produces a line of decorative plastic and enamel pre-coated steels in coils. At Terre Haute, Indiana, we have enlarged existing plant facilities and completed an addition for our Stran-Steel Corporation, producer of pre-engineered buildings and architectural products.

ACCELERATING RESEARCH. Backstopping all this expansion, we are constructing a new corporation-wide research center at Weirton, where National Steel scientists will accelerate their search for new and better materials, methods and products.

This continued emphasis on facilities for producing more and better products for our customers has made National Steel the fifth-ranked American steel producer and a major supplier of the steels most in demand.

We are convinced that there will be more dramatic advances in the steel industry's future than in its past—advances in which National Steel intends to play a prominent part.



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World Energy Prices Over Next Two Decades

By Edward S. Mason,* Department of Economics, Harvard University, Cambridge, Mass.

The answer to whether we will have low-cost abundant energy in the next two or three decades is primarily confined to oil—what happens to its geographic distribution and its f.o.b. price from really low-cost areas possessing super abundant reserves. The author doubts unconventional sources will supply but a small fraction of total energy during this period; dissents from view that our security needs require surplus energy capacity or that dependence on foreign sources of energy supply makes us more vulnerable; and notes that we have no "energy policy" and, if we did, wonders how low-cost consideration would play against security considerations. He warns that were we to shift from low to high cost energy inputs it would weaken our competitive position in the world.

Two basic natural resources problems have increasingly demanded public attention during the last few decades. How can we feed a rapidly growing world population from a relatively limited supply of arable land? And how can we meet rapidly increasing energy requirements at real costs that—if they do not decline—at least will not increase very much? It is the energy problem that concerns us today and, in a sense, it is the prior question. If the supply of arable land is to be increased by conventional irrigation methods energy requirements are large. And a really great expansion of arable land awaits the introduction of practical methods of desalting sea-water with accompanying energy requirements that are enormous. Thus the answer to the question "How are we going to feed rapidly increasing populations?" depends significantly on the availability of low-cost and abundant energy.

But agricultural output is not the only natural resource claimant on energy supplies. As we dig deeper into the earth's surface for minerals and metals and follow veins that become thinner or unearthy deposits of poorer and poorer quality the energy input per unit of output inevitably rises. A meeting of increasing requirements for mineral raw materials without sharply rising costs is in large part an energy problem. If we could be assured of really low-cost and abundant energy, our concern about dwindling mineral supplies would be substantially reduced. They are all available in the earth's crust and in the seas in what are—for our purposes—unlimited quantities, and the cost of extraction is to a considerable extent an energy cost. In an important sense, therefore, it may be said that the natural resource problem is essentially a problem of low-cost and abundant energy.

The way these problems are handled, however, will seriously affect mankind only a half-century or a century from now. And the various possible technical solutions lie so far outside my ken that I am, perforce, required to turn my attention to the nearer future. There is only one remark I feel called upon to make with regard to these distant prospects. Technological advance may be expected not only to open up new sources of energy supply; it will inevitably create new and unexpected energy uses and new uses for energy materials. There is a demand as well as a supply factor in the energy equation. Consequently it is a mistake to think of the energy problem as exclusively one of meeting increasing requirements in current uses. We may be



Dr. Edward S. Mason

sure that as unconventional sources are developed unconventional requirements will also appear. The desalting of sea water is one that is clearly seen but there are others lying over the horizon.

Looks 20-to-30 Years Ahead

We are concerned, however, with the next two or at most three decades. 1980, give or take a year or two, is a date that may limit too frequent a resort to the crystal ball. It seems certain that within this period unconventional energy sources will supply only a small fraction of total energy requirements. A recent careful study projects nuclear energy at 10% of the total U. S. energy supply by 1980.¹ This seems to me on the high side but I am willing to accept it until more information is available. No doubt the percentage in various Western European countries will be somewhat higher than this though the cost figures from existing nuclear installations are somewhat discouraging and earlier construction plans have been drastically scaled down both in Britain and in the Euratom countries. In the underdeveloped world the rosy expectations of nuclear power expressed by various representatives at the Geneva Conference on Peaceful Uses of Atomic Energy in 1955 have since given way to soberer calculations. In reviewing this question I find no reason to change the opinion I expressed in a paper presented at that conference: that, largely because of the capital cost and foreign exchange requirements of atomic installations, the principal short-term expansion of these installations will be in the high fuel cost areas of the developed world rather than in underdeveloped areas however high their fuel costs.² Taking the free world as a whole then we may anticipate with some confidence that somewhat less than 10% of total energy requirements will be met from nuclear sources by 1980.

Will Need Conventional Energy

This means that during the next two decades, so far as commercial sources are concerned, we shall continue to be dependent on hydro-power, coal, gas and, primarily oil. Indeed if I may anticipate in part a conclusion of this paper I would say that, if energy sources were free to move from low-cost locations in obedience to purely economic considerations the next two decades would belong to petroleum. Why energy sources will not in fact be free to move and the consequences thereof is the main part of my story.

Any respectable analysis of the energy outlook usually starts off with a projection of energy requirements. And it is remarkable

in these days of linear programming, operations research, and input-output analysis how complicated the projections can become. For my purposes, however, this exercise seems unnecessary. I am willing to accept any one of a number of projections of energy consumption for the next 20 years; add or subtract 25% and still maintain that if requirements can be met from lowest cost sources there is no reason to expect much, if any, rise in the cost per unit of energy input during the period under consideration. The great unknown in the analysis of future energy requirements is, of course, what will happen to rates of consumption in the underdeveloped world. During the last few decades, in the highly industrialized economies of the west, energy consumption has grown at slightly less than the rate of increase of real national income and most projections anticipate a continuation of this relationship. And we know that the determinants of growth in these economies are so firmly inbedded in existing habits and institutions that, barring large scale warfare, we can project with some confidence a growth trend in the future not very different from that experienced in the recent past. This, in fact, is the *differentialia specifica* of a developed economy. In the underdeveloped world, however, we have no real basis for projecting growth rates and insufficient data to establish any firm relationship between growth rates and energy consumption. But it seems unlikely that energy requirements in this substantial part of the world will be large enough to change significantly our overall assessment.

Realistic Costs

One final preliminary observation concerns the relationship between low-cost and abundance. It is obvious that for any particular source of energy—*as indeed for any commodity*—abundance can not be assured without paying a price high enough not only to cover production or operating costs but also to cover any necessary expenses involved in assuring a continuing supply. This is a fact that is apparently not yet discovered in various Latin American countries who insist on setting electrical rates at a level so low that the replacement of existing installations becomes unprofitable. The same considerations have a bearing on domestic oil production. If we want to meet a large share of our energy requirements from domestic oil production we shall have to permit a price high enough to cover the increasing costs of discovery and development.

But what is true for particular sources of energy supply is substantially altered when we turn to an examination of all sources of energy considered together. Here low cost is compatible with abundance if first, there are, in fact, large supplies of low cost energy available in the world and if, second, energy users are free to turn from high-cost to low-cost sources. Admittedly there are technical limitations to substitution among energy sources in particular uses and this is a fact of substantial importance for certain energy problems. But it is equally obvious that the possibilities of substitution are sufficiently great and that, if users are free to choose, energy prices will be lower in almost all uses.

A consideration of the relation of low-cost and abundance also needs to take into account a missing intermediate factor, i. e. price. It is possible that, by any estimate of costs that is related to the inputs necessary to get a supply out of the ground and into the hands of users, a particular source of energy may be low-cost. At the same time the price of energy from this source to the user may be high. This difference between the cost in terms of inputs and the delivered price per unit of output may be large because of

high transport costs, because of the existence of monopoly elements in the market, or because the owner of the resource is in a position to exact a sizable rent or royalty, or for all these reasons. Since I presume we are here mainly concerned with low-cost and abundance from the point of view of energy users it will be necessary to consider prices as well as input costs.

Examines World Costs

At this point I should logically plunge into an examination of the costs of alternative energy supplies in different parts of the world. This is at best a difficult task and for my purpose I consider it to be an unnecessary one. It is difficult to derive any accurate measures of the cost of producing, say, oil in different parts of the world for a number of reasons of which two are particularly important. First the very large differences in the security of investment in different parts of the world, mainly related to political considerations, suggest that very different periods of capital recovery are advisable. But making the most extreme allowances for these differences would still leave the Middle East and Venezuela remarkably low-cost sources of supply. Secondly, if one insists on charging to particular sources of supply the costs of exploration and discovery all over the world, one can build up a high-cost estimate even for Venezuela and the Middle East. There seems no very good reason for doing so but the problem of what exploration and development costs are to be charged to what sources of supply is admittedly a bothersome question.

It seems to me, however, that it is unnecessary for our purposes to enter into the intricacies of cost analyses. I take it for granted that Venezuela and the Middle East are low-cost sources on any full-cost-of-supply basis and that the principal problem with respect to these areas that concerns users is the price problem. I believe it is clear that the costs of domestic oil in the United States are relatively high and may be rising. There seems to be ample evidence that coal can be produced in the United States at real costs no higher than at present for an indefinite period. On the other hand the facts indicate that coal costs in Western Europe are high and increasing. The situation with respect to gas production in the United States is less clear. Gas has been an extraordinary low-cost source of energy in this country and although the price in recent years has been rising rapidly I am prepared to assume that it will continue to be a relatively low-cost source over the period we are considering. It is on the basis of these rough and ready approximations, that may be considered to be common knowledge, that I propose to proceed.

A realistic assessment of the prospects for low-cost and abundant energy in the free world will, of necessity, have to grapple with the following questions:

(1) Who, in fact, is interested in low-cost energy and what influence can they bring to bear, both in the market and in the political arena, as against the important groups who are certainly not interested in low prices, at least for their own outputs?

(2) What changes in public policy and business practices would have to be brought about if we are to obtain a low-cost energy supply?

(3) What would be the consequences of these changes for the economic position of particular sources of energy supply and for the defense posture of specific countries as seen by those responsible for security matters?

(4) And finally, taking account of the probable answers to these questions, what role should low-cost, as against other considera-

tions, play in the formulation of a sensible energy policy?

Those Not Favoring Low Cost Energy

Turning to the first question it is abundantly clear that there are many groups, possessing great economic and political weight, who are not at all interested in a low-cost energy supply. If we look first at the domestic scene the gas producers, who are usually closely connected with oil production, complain bitterly that they are already selling at too low a price. They claim that their increasing share of the U. S. energy market is the result of an artificially determined differential, i. e., via government control of the field prices of gas, as against oil. They would like to be able to charge into the cost of gas the price of the oil that gas is displacing from the market. But if we consider any influence on price brought about by government intervention to be an "artificial" influence, gas is not the only energy source subject to such artificiality. Certainly, the domestic producers of oil, spread over 22 states each with its customary two Senators, are not interested in low-cost energy. On the contrary they tend to assert that unless the price of oil is raised, or at least kept from declining, the increasing cost of domestic oil exploration and development will soon cease to be covered. The international oil companies, it is true, are interested in drawing a larger part of their oil, for sale in the United States, from lower cost foreign sources. But, so far as I know, they have not expressed a desire to pass these cost advantages on to consumers. Nor have I heard that John L. Lewis has spoken out in favor of a lower price for coal.

Those Favoring Low Energy Cost

There are then some powerful market forces commanding significant political support which have no doubt an interest in abundant energy but not at low costs. Arrayed against them are some special groups of whom the 12 New England Senators, chivied by a constituency interested in low residual fuel oil prices, are perhaps the most vocal. For the rest the interest in low energy cost is a diffuse consumer interest which like all consumer manifestations is disorganized and relatively impotent.

The situation in Western Europe is not too dissimilar. Although oil from the Middle East can now be landed in most of Western Europe at prices which tend to make the high-cost domestic coal output non-competitive, strong forces are arrayed against a rapid displacement. In Germany the favored method is a differential tax on oil consumption. In Belgium despite all the efforts of the European Coal and Steel Community to close down high-cost mines there is effective resistance. In Britain the government stands ready by differential taxes on oil and, if necessary, by subsidies to coal, to protect this high-cost, and also high employment, source of energy supply.

As our attention turns to the principal centers of overseas oil production, in Venezuela and the Middle East, we find, quite naturally, no very great enthusiasm for low cost energy. There is, it is true, a great desire to see a lowering of barriers to oil imports in the West. This in itself would tend to lower the average costs of energy inputs in Europe and arrest a tendency toward increasing energy costs in the future in the United States. But neither the producing companies nor the owning governments are interested in any substantial break in the world price structure. The tremendous surplus now overhanging the market and the entrance over the last few years of new producing in-

¹ Perry D. Teitelbaum, "Productive Uses of Nuclear Energy" (National Planning Association, Washington, 1958).

² E. S. Mason and the National Planning Association Staff of the Peacetime Atomic Energy Project, "Energy Requirements and Economic Growth," in Proceedings of the International Conference on Peaceful Uses of Atomic Energy, Vol. 1, p. 50. (United Nations, New York, 1956).

terests has, it is true, induced a substantial nibbling at this price structure. But it remains to be seen whether such price lowering influences as may be brought to bear by increasing competition and over-abundant supplies may not be offset by the effects of increasing pressure by owning governments for a larger share in the proceeds.

No doubt if we pushed our search for consuming interests concerned with low-cost energy very far into the underdeveloped world we would find countries whose import needs and shortage of foreign exchange makes this concern a matter of critical importance. But the influence of these countries on world energy prices is not apt to be large. Taking the free world as a whole we must conclude that the forces arrayed against the objective of a low-cost energy supply are strong.

Public Policy and Business Practices

Let us consider now what changes in public policy and business practices would have to be accomplished if we are to obtain a low-cost and abundant energy supply. Undoubtedly a necessary, if not sufficient condition is a lowering or elimination of import barriers to—and differential taxation of—oil in Western Europe and the United States. In this country an elimination of import barriers would inevitably produce a large influx of oil whether or not the delivered price was affected. International companies free to choose between their high-cost domestic and their low-cost foreign sources would have no doubts concerning the correct procedure. Independents who have been going abroad in increasing numbers in recent years but who have encountered difficulties in disposing of their oil in the American market would have their difficulties lessened. And other independents would join the race to Venezuela and the Middle East.

In Western Europe if import barriers were removed and if differential taxes on petroleum and subsidies to coal were also lessened or eliminated, oil would replace coal at a greatly accelerated rate. Here, as I have indicated, such a replacement would lower the average costs of energy inputs even if the price of oil remained constant. In the United States it would probably not have this effect since coal prices are fairly competitive with oil in common uses and gas is still an exceptionally low-cost alternative source of energy. Expansion of imports, however, might well postpone any increase in U. S. energy prices.

Assuming the price of imported oil were to remain constant such a pronounced shift in energy sources would still inevitably lower the cost of supplying world energy requirements in terms of real inputs and this is an element not to be ignored. Instead of the labor and capital required in the United States to find oil in increasingly unlikely territory or to undertake increasingly difficult secondary recovery operations, the much smaller physical inputs needed to produce oil in Venezuela or the Middle East would be called on. And in Western Europe the very heavy labor and capital investment per ton of coal would no longer be needed. Needless to say this view is a reflexion of the Free World energy potential seen as a whole. For any particular country the real cost of imported oil is dependent on the real costs of the exports that pay for these imports. Furthermore even for the Free World as a whole the saving in a shift from high input sources to low import sources is real only if the displaced resources can be effectively reemployed. Despite these caveats, a potential Free World saving of inputs is an aspect of the matter that needs to be considered.

When we ask ourselves what changes in public policies or business practices, in addition to a freeing of imports, would be needed to lower energy prices to consumers, we run into a hornets' nest of unanswered, and probably unanswerable, speculations. Clearly the crux of the matter is how and whether the f.o.b. price of oil at the really rich oil-producing centers can be brought somewhat closer to input costs? This involves among other things speculation on the future competitive structure of the producing industry particularly in these areas, the bargaining position of the various owning country governments vis-a-vis the producing companies as to sharing profits and various consumer country governments with respect to price. And, since the capital requirements of a greatly expanded overseas oil supply are very large, the attitude of potential investors toward these developments is decidedly relevant. One really needs to dust off the crystal ball to provide answers.

The impinging forces are contradictory to say the least. An expansion of the market for Middle Eastern and Venezuelan oil would tend to bring in a flock of new producers and thus might lessen the influence of individual major companies on the price structure. But such an influx would tend to strengthen the hand of the owning countries and possibly their share of the take. On the other hand the vastness of the overhang surplus oil plus new discoveries like those in Algeria and Libya may substantially weaken this bargaining power. If these elements together with the possibilities of collusive arrangements among the owning or the consuming countries are taken into account we seem to have a situation in which you pick your number and take your choice.

One final remark on this question. I have discussed the issue entirely in terms of oil because I believe that the center of the question of what happens to world energy prices over the next two decades lies in what happens to the geographical distribution and to the f.o.b. price of oil from the really low-cost areas with their super abundant reserves.

Consequences of Lowered Oil Barriers

A consideration of the probable consequences of shifts of this sort for the economic position of particular groups of producers and for the defense posture of individual countries can be brief. The probable economic consequences are fairly obvious and fairly drastic. An elimination of barriers to oil imports into the United States would bear most heavily on domestic oil producers. Such a displacement would cut back allowances—already reduced to nine days a month in Texas—to a point where the continuation proration and all that it involves in the way of output controls, might well have to be reconsidered. If output controls were substantially altered both the domestic and import price would fall, a good many marginal operations would be abandoned and no doubt expenditures on exploration and development would be sharply reduced.

If the displacement of domestic by foreign output took place without a substantial change in the delivered price of oil there is no reason to suppose that the production and consumption trends of coal or gas would be so affected. On the other hand if increased oil imports led to a reconsideration of domestic output controls and price competition raised its ugly head this judgment would have to be reexamined.

An abandonment of import barriers to and differential taxation on oil in Western Europe would produce rapid inroads into coal production and, what is probably

more important, into the heavy employment in the coal industries of various European countries. In contrast to the United States where only 200,000 men are currently employed in coal production, Britain employs some 750,000 to produce slightly more than one-half the U. S. output, and West Germany some 450,000.

In view of the probable impact in the United States and Western Europe of an abandonment of competitive restrictions on foreign oil—which I regard as the necessary if not sufficient condition to low-cost and abundant energy during the next two decades—the question naturally arises, how much do we want a low-cost energy supply? But before attempting to assess the relative importance of lowness of cost in a sensible energy policy let me call attention to certain economic aspects of the security problem.

Offers Views on Security Needs

An economist viewing developments of the last few years cannot help wondering whether, in the event of nuclear warfare, energy consuming facilities will not disappear at least as rapidly as energy producing facilities. Is it then so important to build up a supply cushion in the United States particularly if the cost of so doing is very high? He cannot help wondering also whether, in the event of brush-fire wars of various sorts, energy sources outside the United States may not be as useful as those inside. Finally, looking at the experience of the last war, one wonders whether rationing is not a quicker and more productive source of energy for military use than the creation of surplus capacity. Abandonment of import controls will certainly make us more dependent on foreign sources of supply. But does this necessarily make us any more vulnerable to the dangers that now confront us?

Ponders One Final Question

Let us turn now to the final question. I have been somewhat amused recently to note a request from a high authority in the European Community for a brief description of U. S. energy policy. This exhibits a touching faith in the rationality of public action in the United States but no great awareness of how things, in fact, get done. So far as I am aware the United States has no energy policy and despite recent emanations from Congress on this matter I doubt whether we will soon have one. If, however, we can imagine a sensible energy policy what role would low-cost considerations play as against the legitimate interests of domestic producing groups and as against security considerations?

This is much too large a hare to start at this stage. But a concluding remark needs to be made concerning the role of costs in such a calculus. Until recently the United States enjoyed a pronounced advantage over every other country in the world with respect to energy costs. The richness and accessibility of our coal deposits were, and still are, unmatched in other industrial countries. The United States was the principal exporter of oil and oil products, and oil prices in the rest of the world were U. S. gulf prices plus delivery costs to destination. And we were the first large consumer of gas.

Energy prices are still comparatively low in this country but we have already lost a substantial part of our advantage. The delivered price of crude oil is now somewhat lower in the highly industrialized sections of Western Europe than it is in the highly industrialized sections of the United States. Furthermore, an energy policy in this country which emphasized the interests of domestic producing groups and defense considerations at the expense of the cost element

would soon reverse our traditional position. While the effects of low-cost energy on economic growth in the United States can be exaggerated, a transition from relatively low-cost to relatively high-cost energy inputs would quite definitely weaken our competitive position in the world. In a period when this position is already beginning to appear precarious I do not believe that an energy policy which fails to put cost considerations in the front rank can, by any stretch of the imagination, be called sensible.

*An address by Prof. Mason before Columbia University Symposium of American Petroleum Institute, New York City.

J. L. Gardner Pres. Of Gardner Office

BOSTON, Mass.—Election of John L. Gardner as President of Gardner Office, Inc., 10 Post Office Square, has been announced by G. Peabody Gardner, Chairman of this personal trust and investment management office which has been in operation for over a century.

Mr. Gardner has been for the past six years a member of the staff of Massachusetts Investors Trust as an investment analyst. He is a trustee of Amoskeag Co.

REPUBLIC OF CHILE

Service of Bonds of the External Debt

The Caja Autónoma de Amortización de la Deuda Pública, in accordance with the readjustment plan for the service of the external debt approved by Law No. 8962 of July 20, 1948, announces that the fixed annual interest of 3% has been paid for the year 1959 to the holders of bonds of the direct and indirect External Debt of the Republic and the municipalities covered by Law No. 5580 and which assented to the new plan under the aforesaid Law No. 8962.

The Sinking Fund established in accordance with Law No. 8962 has been applied to the redemption of the following bonds, purchased below par: £548,106, US\$3,419,000, Swiss Francs 2,614,200, all of which have been withdrawn from circulation. The average price of these purchases was 47.20%.

After making these amortizations the balance of principal amount of bonds of the External Debt was as follows: £14,283,522, US\$88,167,000, Swiss Francs, 71,665,900.

The Caja Autónoma de Amortización de la Deuda Pública, in accordance with the provisions of Article 3 of Law No. 8962 also announces that holders of bonds of the external debt who assented to the plan of service of old Law No. 5580 and do not accept the new plan under law No. 8962 will be entitled to receive for the year 1959 interest at the rate of \$1.81 per \$1,000 bond calculated on the basis provided in Law No. 5580 with respect to the following revenues:

Participation in the profits of the Corporación de Ventas de Salitre y Yodo of Chile.....	US\$	None
Share in the taxes on income of the 4th category of copper companies		212,064.
Share in tax on importation of petroleum for the nitrate and copper industries (Article 7th of Law No. 6155 of January 6, 1938)		882,410.
		US\$1,094,474.

Up to the close of the year corresponding to this declaration 97.68% of the dollar bonds, 99.54% sterling bonds and 96.99% of the Swiss franc bonds had been assented to Law No. 8962.

Pursuant to the extension granted by the Supreme Government under the terms of Finance Decree No. 9,566 of October 31, 1957, the period for acceptance of the exchange authorized by law No. 8962 will remain open until December 31, 1960.

Holders of bonds assented to Law No. 5580 will be entitled to receive the aforesaid payment of \$1.81 per \$1,000 bond on and after February 1, 1960, against presentation and surrender for cancellation of the two coupons corresponding to said payment, (in the case of the City of Santiago, Chile Twenty-One Year 7% Ext. S.F. Bonds dated January 2, 1928, the said payment will be made by presentation of the bond for endorsement of the interest payment) together with an appropriate letter of transmittal, at the office of the correspondent of the undersigned in New York City, **Schroder Trust Company, Trust Department, 61 Broadway, New York 15, N. Y.** Letters of transmittal may be obtained at the office of said correspondent.

CAJA AUTÓNOMA DE AMORTIZACIÓN DE LA DEUDA PÚBLICA
EDUARDO SOLMINIHAC K. **SANTIAGO WILSON H.**
General Manager *President*

Santiago

December 31, 1959.

Do Common Stocks Provide Protection Against Inflation?

By Raymond B. Garcia,* Assistant Treasurer, Trading Department, J. M. Dain & Co., Inc., Minneapolis; President, Twin City Security Traders, Inc.

Long and short run analysis by author provides conclusions to please both sides of the question. After pointing out investors are more motivated by the fear of inflation than by business conditions and earnings, which sometimes has worked to their disadvantage, Mr. Garcia notes, as one conclusion, that equities can be over-rated as a hedge and that they thrive best with no inflation. This results, he says, from inroads inflation may make in stockholders' equity in the firm and when persistent inflation cannot cope with the cost squeeze. The other conclusion notes, however, that successive 20-year periods since 1901 were on the whole favorable to stocks as a hedge; that since 1941 to 1959 common stocks rose 4½ times the amount needed to offset consumer purchasing power loss, and that over the past 60 years, stocks' upward movement exceeded in rate of increase the rise in the price level.

For the past ten years, the political and economic scene in the United States has been dominated by a phenomenon which was practically unthought of during the preceding fifteen years. Politicians and economists alike have offered a multitude of explanations for the emergence from relative obscurity to a major role in the nation's affairs by this former bit player. In this drama, however, the main billing and feature role have gone to the villain while innumerable heroes who have vainly tried to subdue the powers of evil have vanished into the depths of failure. In short, to express a situation briefly, the American public in all walks of life has become deeply concerned with the problem of national inflation and what can be done to halt its cancer-like growth.

In order that we may properly consider and measure the many facets and extent of the problem of inflation and enable ourselves to evaluate its effects upon common stocks, it will be necessary that we first establish the causes and symptoms of inflation and analyze its effects in the past. Having once determined the nature of an inflationary environment we can more intelligently consider the probable results of investing in common stocks to avoid its harmful effects.

Finds Inflationary Trend Prevalent

Contrary to general opinion, the existence of inflationary pressures is not something new on the American economic scene. Our nation has experienced 20 major periods of prosperity in the past 150 years of our national economy. In 17 out of these 20 periods, we have experienced price inflations. During our four largest wartime and postwar booms prices as represented by the cost of living skyrocketed by more than 100%. In the 13 remaining inflationary periods prices rose anywhere from 10% to 45%. Thus, we have experienced only three periods of stable or deflated prosperity. These occurred during the five years of prosperity in the late 1880's resulting from the railroad building boom, the three last years of prosperity in the late 1920's, and the period of strong prosperity in 1955-56. During the first two periods of uninflated prosperity the cost of living actually fell at an annual rate of about 1% while the last period reflected almost a completely stable cost of living. In a similar manner we had deflationary price

trends in 18 out of 21 periods of recession or depression, but in about half of them prices dropped by less than 10%. In the other half, however, price declines of between 20% and 60% did occur. The three periods in which we had recessions without price declines occurred during the periods 1923-24, 1953-54, and 1957-58 when prices remained relatively stable.

Simply expressed, inflation can be described as the creation of additional purchasing power through the expansion of the existing mediums of credit and currency without a concurrent enlargement of the gross national product. Such action distorts the optimum relationship between the total production and its monetary value causing a rise in the prices of the products in current demand. The inflation itself will probably appear in either or both of two different forms: (1) credit inflation, (2) currency inflation. Without doubt the most insidious form of inflation is that which takes place through the exaggerated expansion of the various means of credit which, in the main, include bank credit, bank deposits and bank lending power. This situation occurs when the government or the banking system makes large loans to individuals or corporations or creates conditions where there are large surplus bank deposits on which credit expansion can be based; or when the government embarks upon a large spending program financed by the sale of government bonds to the banks.

Currency inflation, which is actually depreciation of the intrinsic value of the nation's currency, is a much more serious condition than credit inflation and may occur in either of two forms: (1) through devaluation or the lowering of the specie backing of the currency, (2) through the issuance of printing press money. As a result of either of these actions, the immediate effect is to increase the supply of currency, thereby lessening its value or purchasing power. The end result is that it requires a greater amount of currency to purchase a specific quantity of goods which is the precise condition which we use to describe inflation. Currency inflation will usually result in a brisk demand for precious and basic metals and stocks in companies which produce those commodities.

When a serious inflation occurs, the business activity in the capital goods and durable consumer goods industries usually declines severely, especially in those industries which require a considerable amount of long-term fixed interest capital. Under such conditions long-term loans obviously would call for a prohibitively high rate of interest from the borrower and most lenders would be inclined to shy away from long-term credit accommodations in favor of short-term borrowers.

Generally speaking, the effect of inflation is to destroy the capital value of investors funds by reducing its purchasing power to a constantly decreasing amount, limited only by the extent to which the inflationary conditions are allowed to grow. Constantly rising prices make it impossible to buy as much for each dollar spent, and when the owner of the capital, the investor, is obliged to pay more and more for the same quantity of goods or corresponding amount of services as the inflation progresses, his original capital depreciates in value in like or greater amount. To illustrate, when an inflation has progressed to the point where prices have doubled, the investor has actually lost half of the purchasing power or value of his original capital, and the longer this process continues the greater will be his loss until the real value of his investment is completely obliterated.

Several Protective Measures

In general the primary objective of an investor seeking to protect his capital from the ravages of inflation is to insure himself to the greatest extent possible against losing all or part of his capital as a result of a reduction in its purchasing power. There are several methods or courses which he may take and whichever he chooses will in some way depend upon his financial position and business connections which in some cases will make certain types of investments easier for one person than for another.

No single recommendation can be universally acceptable to all investors or free from varying degrees of risk. The primary objective is to choose some form of tangible assets whose monetary value will rise in proportion or greater proportion to the declining value of money. Commodities, real estate, precious metals, jewels, and foreign investments are the most common hedges offered by financial advisors, but we will concern ourselves only with the prospects and protection offered through the use of common stocks as a hedge against inflation.

Since January, 1958, the stock market has confounded amateur and professional alike by completely ignoring the most severe business recession since 1937 and forging constantly ahead to new highs long before lagging business conditions warranted such prices. During the recession-burdened first half of 1958 the prices of most common stocks and the market as a whole as represented by the several popular common stock averages moved steadily upward instead of declining under the constant flow of unfavorable business reports. In other words, when faced with an economic environment in which the main factors at the moment were a business recession on one hand and the prospects for continued long-term inflation on the other, the American investor chose to continue taking steps to protect himself against the more remote dangers of inflation rather than seek a position of immediate safety by turning to cash or fixed-income securities.

The above action, however, represented practically a diametric opposite to what he had done as recently as 10 years ago when business conditions were practically the opposite. The economy was booming and corporate earnings were on their way to record highs, but the stock market was in the midst of a very sharp decline. Actually, although the environment and the symptoms were exactly the opposite in the two periods, the causes were the same, namely, an intense fear of price inflation. In the 1947-48 situation it was reasoned that with sharply rising prices in most industries, corporate earnings were being grossly exaggerated

as a result of large-scale profits from inventories of raw materials and finished goods coupled with the fact that depreciation charges based on initial costs would be insufficient to meet replacement costs when the equipment became worn out or obsolete. Acting on these assumptions, many investors capitalized stated earnings at a significantly lower ratio than had been regarded as normal and the market moved lower in anticipation of the expected results of the postwar inflation. Actually, the reasoning turned out to be almost wholly incorrect and many investors missed easily their best post war chance to protect themselves and their capital against the current national threat—inflation. Obviously, investors seeking protection from the ravages of inflation have completely reversed their course of action of 10 years ago and are stampeding into the market place to buy common stocks at prices and price/earnings ratios regarded as excessive only a decade ago. How much protection will their capital really have?

Finds Equities an Over-Rated Hedge

The prime fact is that common stocks can be over-rated as a hedge against the ravages of continued inflation. For one thing, under our present tax laws, the stockholders equity is in constant danger of being reduced rather than increased by the declining purchasing power of the dollar. Just as the potential dilution of earning power was over-emphasized during the 1947-48 period, we may be under-emphasizing it today.

As an illustration of this point, let us consider a statement made by Benjamin Fairless, former chairman of U. S. Steel Corp., illustrating what a creeping inflation can do in terms of a stockholders' equity. If we assume an annual price inflation of 5% per year, for each dollar of annual depreciation charged over a 10-year period, a company must recover about \$1.30 in order to provide for the replacement of the depreciated assets at the higher price level. Unless the company makes up the \$.30 deficiency out of profits after taxes, it will have to obtain this additional amount from other sources, thereby diluting the stockholders' equity in the business.

There is another and more important factor to be considered. Historically speaking, the long-term economic trend in the United States has been one of inflation. Generally, however, the prices of common stocks tend to follow the trend of corporate profits and dividends stated in dollars and cents rather than the purchasing power of that currency. In the early stages of inflation, earnings have the tendency to shoot up rapidly and cause a corresponding rise and perhaps an even larger one in stock prices. A recent illustration of this tendency occurred in 1950-1951, when the market reversed itself and corrected a deep undervaluation of corporate profits which occurred in 1947-1948 and terminated in the early part of 1949. However, the longer an inflation lasts the more relentless is the pressure on profit margins as material costs and wages rise faster than companies can raise the price of their products and retain consumer acceptance.

Persistent Inflation Narrows Profits

As a concrete example of this tendency, we can examine the period since the removal of the World War II price ceiling. In 1950 corporate profits after taxes totaled an all-time record of \$22.8 billion. Despite the occurrence of the subsequent inflation since that time, corporate profits have managed to exceed that figure only twice and then by only the scantiest of margins. Actually, corporate

profit margins have undergone a continual narrowing so that by the first half of 1958 they were near the low point for the postwar period. Consequently, while consumer prices have risen approximately 20% since 1950 and total national income has gained almost 50%, both of these advances have been heavily outweighed by the increased cost of doing business, especially wage costs. In short, while inflation means higher prices it does not even assure larger profits before giving effect to the declining real value of the profits. If the per-share earnings of a company can rise at least as rapidly as the purchasing power of the dollar declines, there is a good chance that an investment in its common stock will prove to be a satisfactory hedge against inflation. However, if a firm's profits after taxes fails to keep pace with the rate of inflation, an investment in that company may turn out to be a worse hedge than liquid cash as a result of incurring investors' disfavor and sharply lower prices in the market.

This principle holds true not only for manufacturing and service industries, but also for the companies which are usually viewed as ideal inflation hedges, namely companies rich in natural resources. Not too many years ago, for example, non-ferrous metal shares and coal shares were purchased eagerly for their wealth in the ground. Yet today Kennecott Copper and Anaconda sell many points below the best levels they attained 30 years ago, long before the current inflation started. The coal industry with its vast reservoir of wealth in the ground has done little better. Much the same holds true for gold mining, lumbering and producers of crude rubber. During the same period, however, some natural resource industries have appreciated in price more than the value of the dollar has fallen. The aluminum and oil industries, which have managed to convert their natural resources into above average earnings, fall into this category. However, during 1957 as the profits of these industries declined, both groups surrendered a large part of their postwar price advances.

Surprising Hedge Found in Utilities

Contrary-wise, some regulated industries which on first glance should suffer more from inflation have turned out instead to be ideal hedges against inflation as well as recession. Thus, a majority of utility stocks have more than held their own in terms of purchasing power despite rigid regulation of the rates they may charge their customers. As a matter of fact, utility stocks have proven a more adequate inflation hedge than the average manufacturing issue.

Over the years, inflationary pressures, sometimes very intense and at other times more dormant, have been present in the economy. During the last 20 years, under the free enterprise system wages have more steadily advanced as the bargaining power of the unions became stronger and there is little current evidence that this trend will diminish or cease. Prices were raised in most cases more than enough to offset the higher wage costs whenever it was possible. However, wages have increased more rapidly than productivity, consequently wages constitute the largest factor in the inflationary trend. In the past 26 years the cost of living index has shown a decline from the previous year only four times. Such a record is discouraging to the prospects for an end to our inflationary trend. One assumption clearly is reasonable.

Stocks Thrive Best With No Inflation

Inflation by itself is genuinely bullish on stock prices only if it



Raymond B. Garcia

boosts earnings and dividends as much as the purchasing power of the currency diminishes. At times, of course, the fear of inflation will cause a scramble for stocks, such a scramble on a broad scale is going on today. But history also shows that a condition such as this generally has proved short-lived unless backed by expanding earnings and dividends. Moreover, despite the popular opinion, the best available evidence indicates that profits and stock prices are most flourishing during periods of little or no inflation.

Using the U. S. Bureau of Labor Statistics Index of Consumer Prices as an indicator of changes in the price level and Standard & Poor's Index of 425 Industrial Stock Prices as our measurement of the changing value of common stocks, we can determine with a reasonable degree of accuracy how investors have fared in the past during periods of general price inflation.

Over the past 60 years, a period of time within the experiences of our nation's senior citizens, who are the group most acutely affected by price inflation, our national economy has undergone a variety of changes. There have been periods of stable prices and of changing prices; trends of inflation and deflation. Viewing the entire period, however, the long-term trend has been one of rising prices or inflation and provides us with a reasonably reliable environment in which to test the protective merits of common stocks.

By far, the period reflecting the most acute inflation was that of 1916-1920 during which the cost of living doubled. Concurrently, stock prices managed to record a gain of about 20% and investors suffered a substantial loss of purchasing power. On the other hand, if consideration is given to the fact that the 1916-1920 period was merely the meteoric culmination of an inflationary price trend which began in 1900 it becomes readily apparent that the plight of the long-term investor in common stocks was not nearly so severe. While prices did rise 151% over the 20 years, common stock values showed an appreciation of 115% over the same period, a noticeably better performance than in the shorter period above.

Evidence Supporting Stocks As A Hedge

Despite the unfavorable implications of the preceding paragraph, similar comparisons of all successive 20 year periods (1901-1921, etc.) through the latest beginning in 1928 revealed that in only eight of the 28 studied did the cost of living increase more than common stock prices. These all occurred in periods which ended in years of extreme inflation (1919-1923) or began in periods of excessive stock market speculation (1928-1930). In all the eight periods, beginning 1931 through 1938, stock prices rose more than living costs, the appreciation varying from 100% to 370% of the increases in living costs.

Considering the widespread concern over the perils of our current inflationary trend which actually began in 1941, the comparative results of the past 18 years may prove more valid and illuminating. Although stock prices increased more than living costs in only 12 of the 18 years, the cumulative results of the entire period are much more impressive. While consumer prices recorded an overall increase of 106%, common stocks increased their values by 475% or four and one-half times the amount needed to offset the loss in the purchasing power of the dollar. Clearly, common stocks fulfilled their function of protecting the investor against a loss of capital.

When viewed in broad perspective the results of the 60-year period provides us with several

conclusions. With only two noticeable exceptions the period has been one of continuously rising living costs or inflation, however, mild. Stock prices, contrariwise, have experienced numerous changes of direction in varying magnitudes, but over the longer term their primary movement has also been upward and has exceeded in rate of increase the rise in the price level.

Accordingly, investors who have committed their capital to a selection of common stocks which have kept abreast of general market movements have realized gains larger than necessary to offset increases in the cost of living. In addition to protecting the investor from loss of purchasing power, common stocks have provided him with an increment in the real value of his capital as an additional bulwark against the insidious effects of inflation.

[AUTHOR'S NOTE: Should the reader wish to examine the data used in arriving at these conclusions, with a view of making his own interpretations, he may consult the following sources which were utilized: Statistical Abstract of the U. S., 1958; Economic Indicators—June 1959; and Common Stocks and Cost of Living 1871-1958 — Hugh W. Long & Company.]

*Mr. Garcia's manuscript was adjudged the winning essay, first year class and all three classes, 1959 Institute of Investment Banking, at the Investment Bankers Association of America 48th Annual Convention, Bal Harbour, Fla.

Wellington Opens St. Louis Office

ST. LOUIS, Mo.—Wellington Distributors, Inc., wholesale distributing organization for the Wellington Fund and Wellington Equity Fund, has opened an office in St. Louis, it is announced by Joseph E. Welch, President.

The new office, located at the Railway Exchange Building, will be headed by William H. L. Sullivan, who will serve as district representative. Mr. Sullivan has been associated with the Wellington organization since 1956. His previous headquarters were in Pittsburgh.



W. H. L. Sullivan

Fed. Land Banks Offer Bond Issues

The 12 Federal Land Banks are offered Jan. 13, \$232,000,000 of bonds consisting of two issues: \$150,000,000 of 5.40% bonds due Dec. 20, 1960 at par, and \$82,000,000 of 5½% bonds due Feb. 20, 1970 at 100¼%.

The offering is being made through John T. Knox, Fiscal Agent, New York City, and a nationwide group of security dealers and dealer banks.

Proceeds from the sale of the bonds will be used to repay short-term borrowings and provide funds for lending operations of the banks.

P. E. Sperry Joins Nat'l Secs. & Research

LOS ANGELES, Calif.—Phillip E. Sperry has joined National Securities & Research Corporation, 650 South Spring Street, as a wholesale representative in the Pacific Coast area.

In his new position, Mr. Sperry will assist Rufus L. Carter, Vice-President in charge of the Pacific Coast territory. Mr. Sperry has been in the investment business on the Pacific Coast since 1951, recently with The Parker Corp.,

Christianity and Communism

By Roger W. Babson

Mr. Babson sets the record straight regarding the views of Jesus and Communism. He concludes by pointing out that because Khrushchev is inconsistent is no reason why we should be lax in practicing Jesus' teachings.

I rather hesitate to write this column because some people may think that I am getting favorable toward Russia; but let me first assure you that I detest many things Russia is doing and was glad to get out of the country. Nevertheless, I can always learn something wherever I go, and from any nationality. Those who keep their eyes shut and their ears plugged are getting more ignorant every day and are only fooling themselves.

What Russians Mean by Saying They are "Atheists"

Although I visited a church in Russia where, on the previous Sunday morning, there had been 4,000 people standing or on their knees (these churches have no seats), yet 95% of the one million people in Moscow and the two million in its suburbs will tell you they are "atheists." Some of them say they do not believe in "God"; but the majority will tell you they do not believe that Jesus was the "Son of God." They say that Jesus was the great leader and founder of Christianity, just as Buddha was the founder of Buddhism, Mohammed the founder of Mohammedanism, and Confucius the founder of Confucianism.

I am not acquainted with all the church denominations in this country; but I am told that the Unitarian branch and some of the Pacific Coast branches of the Protestant churches may feel about the same toward Jesus as the Russian leaders. (I cannot speak authoritatively on Russia as a whole, as Moscow was the only city which I visited.)

Jesus' Sermon on the Mount

When I was talking with some prominent Communists in Moscow about Christianity, they first made the point that a very small portion of the Bible consists of Jesus' own words. They realize

that the Old Testament is a history of the Jewish People and may be found in many Moscow libraries translated into Russian. They, however, would substitute the teachings of Nikolai Lenin, the founder of Communism, in place of the writings of St. Paul. When a Russian does this, he feels justified in calling himself an atheist, although this is not the description which Webster's Dictionary gives for an atheist.

I had no personal talk when in Moscow with Nikita Khrushchev, the Premier, he being in Peiping at the time; but I met people who claimed to know his thoughts. They told me that Mr. Khrushchev has said that if we Christians in the U. S. followed the teachings of Jesus in the Sermon on the Mount, Communism might have had no opportunity to develop. This is a very important statement to be remembered when we celebrate Christmas as Jesus' birthday.

The Big Difference Between Jesus' Teachings and Communism

Seldom do I ask followers of my column to read anything; but I do ask you to read Jesus' Sermon on the Mount (as found in the fifth chapter of Matthew) and relate it to our present mode of life. It agrees pretty well with the Communists' goal of taking care of their less fortunate people and seeing that all are fed, housed, and clothed, and that those who are qualified have a proper education, etc. Jesus also warned against wealth as a handicap to proper living. Certainly, Jesus would heartily approve the desire of President Eisenhower to help backward nations and unfortunate people.

But, Jesus insisted that these changes should come about voluntarily and not by force. The wicked massacres by the Communists in Hungary and other

countries, merely to eliminate private property, would certainly be considered outright murder by Jesus. I repeat that Jesus would insist that the reforms be voluntary and that men should let God (who, He said, is a Spirit) do the punishing. In order for me to take Premier Khrushchev seriously in his purported "respect for the Sermon on the Mount," he would have to raise the iron curtain full length and stop persecuting any people. However because Khrushchev is not consistent is no reason why we should be lax in practicing the teachings of Jesus in His Sermon on the Mount.

Frank Tschudi Joins Boettcher

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo. — Frank N. Tschudi has become associated with Boettcher and Company, 828 17th Street, members of the New York Stock Exchange. Mr. Tschudi who has been in the investment business in Denver for many years, was formerly a Vice-President of Bosworth Sullivan & Company, Inc.

Two With Dempsey

(Special to THE FINANCIAL CHRONICLE)

MODESTO, Calif. — Peter A. Bifarella and Elinor F. Brown have joined the staff of Dempsey & Co., 1024 J Street.

Richard Harrison Adds

(Special to THE FINANCIAL CHRONICLE)

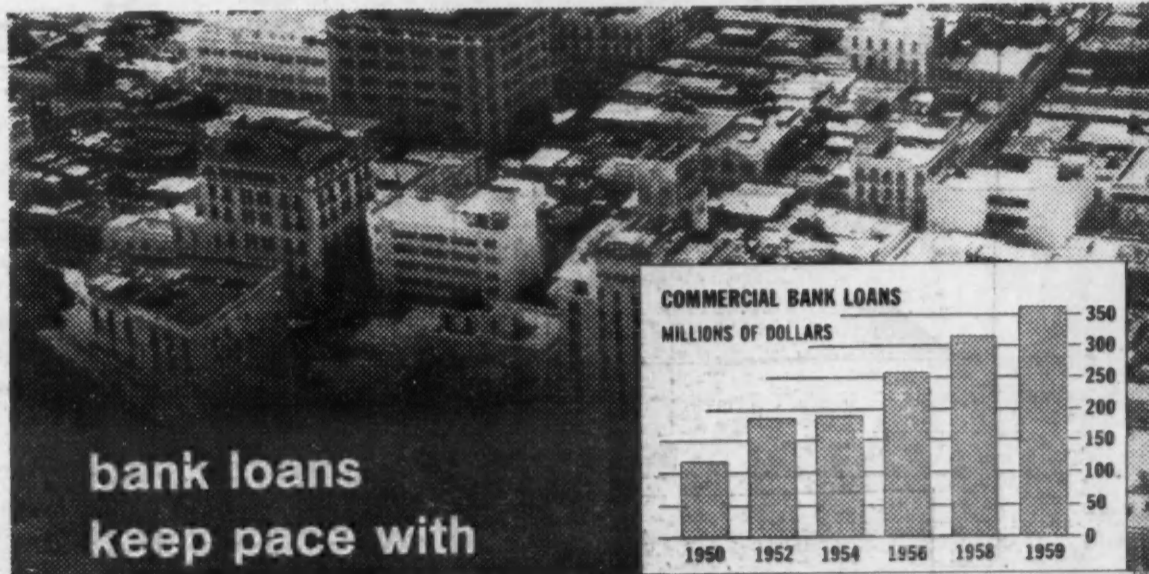
SACRAMENTO, Calif. — John O. Bronson has been added to the staff of Richard A. Harrison, Inc., 2200 Sixteenth Street.

Dunne Opens Branch

HICKSVILLE, N. Y. — Dunne & Co. has opened a branch office at 4 Jerusalem Avenue, under the management of F. J. Herman.

Heller & Meyer Branch

NEWARK, N. J. — Heller & Meyer has opened a branch office at 1164 Raymond Blvd., under the management of Abraham J. Meyer.



bank loans
keep pace with

Puerto Rico's progress

Only when underlying conditions assure ample capacity to repay loans do prudent bankers lend money—or wise businessmen borrow it. Thus, a definite sign of prosperity in any area is a consistently rising trend in outstanding bank loans.

The soundness of Puerto Rico's economy is indicated by the steady, substantial advance in commercial bank loans

from less than \$120 millions in 1950 to more than \$360 millions in 1959. Puerto Rico's industrial production index has also risen during the same years, at much the same impressive rate.

Investors who seek good values should consult their own banks or security dealers regarding the tax-exempt bonds of Puerto Rico, and of its Authorities and Municipalities.

GOVERNMENT DEVELOPMENT

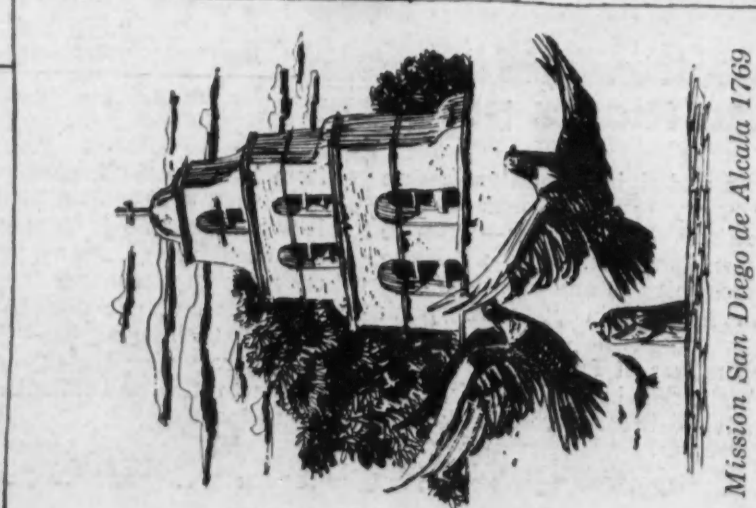
BANK FOR PUERTO RICO

P. O. Box 4591
San Juan, Puerto Rico

Fiscal Agent for the Commonwealth of Puerto Rico

37 Wall Street
New York 5, N. Y.

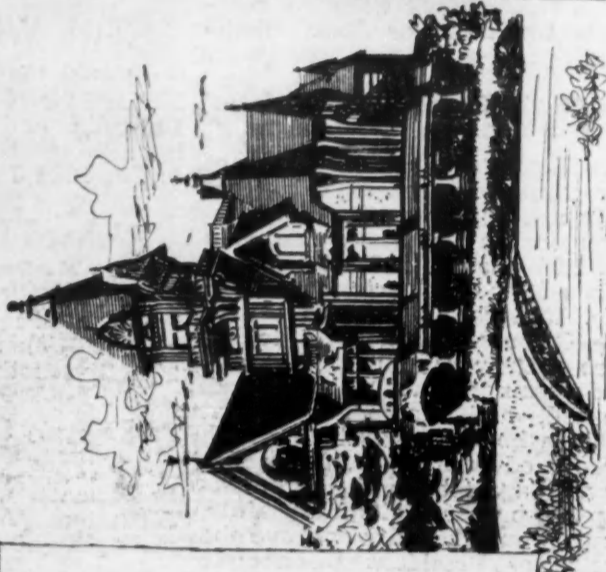
New Issues



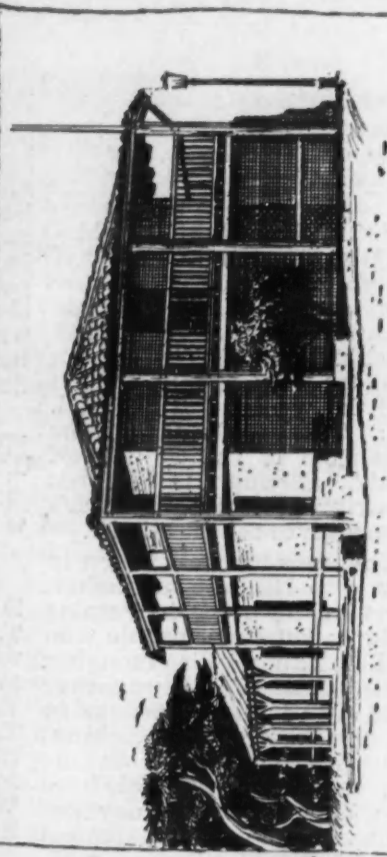
Mission San Diego de Alcalá 1769



Mariposa County Court House 1854



Carson Residence 1884 Eureka



Old Customs House 1814 Monterey

Historic Buildings of California.

\$100,000,000 State of California

5%, 4½%, 3¾% and 4%

State Construction Program Bonds and Veterans' Bonds

Payment and Registration

Principal and semi-annual interest (June 1 and December 1) for the \$50,000,000 State Construction Program Bonds and (April 1 and October 1) for the \$50,000,000 Veterans' Bonds payable, at the option of the holder, at the office of the Treasurer of the State of California in Sacramento, California, or at the office of any duly authorized agent of the State Treasurer, including the agent of the State Treasurer in New York, N. Y. First coupon payable April 1, 1960, on the \$50,000,000 Veterans' Bonds. Coupon bonds in denomination of \$1,000 registrable only as to both principal and interest.

Redemption Provision

State Construction Program Bonds maturing on and after June 1, 1981, are subject to redemption at the option of the State, as a whole or in part, on June 1, 1980, (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. Veterans' Bonds maturing on and after October 1, 1981, are subject to redemption at the option of the State, as a whole or in part, on October 1, 1980, (but not prior thereto) and on any interest payment date thereafter, at the principal amount thereof and accrued interest thereon to date of redemption. Publication of notice of redemption shall be once a week for two weeks not less than 30 days nor more than 90 days prior to said date of redemption, in each of the Cities of San Francisco, Sacramento, and Los Angeles, California. If less than all the bonds should be redeemed, they shall be called in inverse numerical order, the part so called not less than all the bonds maturing in any one year.

Tax Exemption

In the opinion of counsel, interest payable by the State upon its bonds is exempt from all present Federal and State of California personal income taxes under existing statutes, regulations and court decisions.

Legality for Investment

We believe these bonds will meet the requirements as legal investments for savings banks and trust funds in New York, California and certain other states and for savings banks in Massachusetts and Connecticut and will be eligible as security for deposits of public moneys in California.

Purpose and Security

State Construction Program Bonds, issued under the State Construction Program Bond Act of 1955 (Statutes 1955 Chapter 1709) and Section 4.5 of Article XVI of the Constitution of the State of California, for various construction program purposes, in the opinion of counsel are general obligations of the State of California payable in accordance with the State Construction Program Bond Act of 1955 out of the General Fund of the State. The full faith and credit of the State of California are pledged for the punctual payment of both principal and interest. The bonds are authorized for the purpose of providing the necessary funds to meet the major building construction, equipment and site acquisition needs for the departments of the State Government which are financed primarily from general revenues rather than from special funds.

Veterans' Bonds, issued under the Veterans' Bond Act of 1958 (Article 5G, Chapter 6, Division 4, Military and Veterans Code) for Veterans purposes, in the opinion of counsel are general obligations of the State of California payable in accordance with the Veterans' Bond Act of 1958 out of the General Fund of the State. The full faith and credit of the State of California are pledged for the punctual payment of both principal and interest. The bonds are authorized for the purpose of assisting California war veterans.

ISSUES, AMOUNTS, RATES, MATURITIES AND YIELDS OR PRICES

(Accrued interest to be added)

\$50,000,000 State Construction Program Bonds, Act of 1955, Series C					\$50,000,000 Veterans' Bonds, Act of 1958, Series W				
Dated: December 1, 1959					Dated: January 1, 1960				
Due: June 1, 1961-85, incl.					Due: October 1, 1961-85, incl.				
Amount	Coupon Rate	Due	Yield or Price		Amount	Coupon Rate	Due	Yield or Price	
\$1,600,000	5%	1961	3.00%		\$1,300,000	5%	1961	3.00%	
1,600,000	5	1962	3.15%		1,300,000	5	1962	3.15%	
1,600,000	5	1963	3.25%		1,300,000	5	1963	3.25%	
1,600,000	5	1964	3.35%		1,500,000	5	1964	3.35%	
1,600,000	5	1965	3.45%		1,500,000	5	1965	3.45%	
1,800,000	5	1966	3.50%		1,500,000	5	1966	3.50%	
1,800,000	5	1967	3.55%		1,600,000	5	1967	3.55%	
1,800,000	4½	1968	3.60%		1,600,000	4½	1968	3.55%	
1,800,000	3¾	1969	3.65%		1,600,000	3¾	1969	3.60%	
1,800,000	3¾	1970	3.70%		1,700,000	3¾	1970	3.65%	
2,000,000	3¾	1971	100		1,700,000	3¾	1971	3.70%	
2,000,000	3¾	1972	100		1,700,000	3¾	1972	100	
2,000,000	3¾	1973	100		2,000,000	3¾	1973	100	
2,000,000	3¾	1974	3.80%		2,000,000	3¾	1974	3.80%	
2,000,000	3¾	1975	3.85%		2,000,000	3¾	1975	3.80%	
2,200,000	4	1976	101¼		2,000,000	3¾	1976	3.85%	
2,200,000	4	1977	101¼		2,300,000	4	1976	101¼	
2,200,000	4	1978	100¾		2,300,000	4	1977	101¼	
2,200,000	4	1979	100¾		2,500,000	4	1978	100¾	
2,400,000	4	1980	100%		2,500,000	4	1979	100¾	
2,400,000	4	1981*	100%		2,500,000	4	1980	100%	
2,400,000	4	1982*	100		2,800,000	4	1981*	100	
2,400,000	4	1983*	100		2,800,000	4	1982*	100	
2,400,000	4	1984*	100		2,800,000	4	1983*	100	
2,400,000	4	1985*	100		2,800,000	4	1984*	100	
					2,900,000	4	1985*	100	

*Bonds maturing 1981-85 incl., subject to call at par, plus accrued interest, on and after June 1, 1980, as described herein.

*Bonds maturing 1981-85 incl., subject to call at par, plus accrued interest, on and after October 1, 1980, as described herein.

Legal Opinion

These bonds are offered subject to the legal opinion of the State of California.

Legal Opinion

These bonds are offered when, as and if issued and received by the underwriters listed below as well as other underwriters not shown whose names will be furnished on request, and subject to approval of legality by The Honorable Stanley Mork, Attorney General of the State of California, and by Messrs. Orrick, Dabquist, Herrington & Sutcliffe, Attorneys, San Francisco, California.

Tax Gain, Amortization of Premium

These bonds will be initially issued by the State of California at not less than their par value, and a taxable gain may accrue on bonds purchased at a discount. Investors are required under existing regulations to amortize any premium paid thereon.

Bank of America N. Y. & S. A. Incorporated	Bankers Trust Company	The First National City Bank of New York	The Chase Manhattan Bank	The First National Bank of Chicago	Halsey, Stuart & Co. Inc.	Blyth & Co., Inc.	The First Boston Corporation
Harriman Ripley & Co.	Harris Trust and Savings Bank	Smith, Barney & Co.	Lehman Brothers	American Trust Company San Francisco	Security First National Bank Los Angeles	Drexel & Co.	Glore, Forgan & Co.
Chemical Bank New York Trust Company	C. J. Devine & Co.	Continental Illinois National Bank and Trust Company of Chicago	Merrill Lynch, Pierce, Fenner & Smith Incorporated	The Northern Trust Company	R. H. Moulton & Company	Goldman, Sachs & Co.	Kidder, Peabody & Co.
Eastman Dillon, Union Securities & Co.	Bear, Stearns & Co.	Equitable Securities Corporation	Stone & Webster Securities Corporation	Dean Witter & Co. Incorporated	Weeden & Co. Incorporated	The First National Bank of Boston	The First National Bank of Oregon
The Philadelphia National Bank	Seattle-First National Bank	Shields & Company	Reynolds & Co.	Crocker-Anglo National Bank	J. Barth & Co.	Ladenburg, Thalmann & Co.	John Nuveen & Co. (Incorporated)
Paine, Webber, Jackson & Curtis	Wertheim & Co.	Hayden, Stone & Co.	A. C. Allyn and Company Incorporated	American Securities Corporation	James A. Andrews & Co. Incorporated	Bache & Co.	Bacon, Whipple & Co. Incorporated
Hornblower & Weeks	Eraun, Bosworth & Co. Incorporated	Gregory & Sons	Hallgarten & Co.	Hemphill, Noyes & Co.	Laidlaw & Co.	Lee Higginson Corporation Newark, N. J.	Carl M. Loeb, Rhoades & Co.
Branch Banking & Trust Company	F. S. Moseley & Co. San Francisco, Calif. Incorporated	National State Bank of Newark	Roosevelt & Cross Incorporated	Schoellkopf, Hutton & Pomeroy, Inc.	Shearson, Hammill & Co.	Stone & Youngberg Incorporated	Stroud & Company Incorporated
W. H. Morton & Co.	B. J. Van Ingen & Co. Inc.	Adams, McEntee & Co., Inc.	Barr Brothers & Co.	J. C. Bradford & Co. Incorporated	F. W. Craigie & Co.	Francis I. duPont & Co.	Estabrook & Co.
Taylor and Company	Fitzpatrick, Sullivan & Co.	Ira Haupt & Co.	W. E. Hutton & Co.	G. H. Walker & Co.	Wood, Struthers & Co.	The National City Bank of Cleveland	Wm. E. Pollock & Co., Inc.
First Southwest Company	Tucker, Anthony & R. L. Day	Wachovia Bank and Trust Company	Commerce Trust Company Kansas City, Mo.	Dempsy-Tegeles & Co.	R. S. Dickson & Company Incorporated	Mercantile-Safe Deposit and Trust Company Incorporated	The Illinois Company Incorporated
A. M. Kidder & Co., Inc.	Lawson, Levy, Williams & Stern	Irving Lundborg & Co.	Mason-Hagan, Inc. Incorporated	Chas. E. Weigold & Co.	Robert W. Baird & Co. Incorporated	Hannahs, Ballin & Lee	I. L. Brooks & Co. Incorporated
F. S. Smithers & Co.	Stern Brothers & Co.	Spencer Trask & Co.	First National Bank in Dallas	Goodbody & Co.	J. A. Hogle & Co.	Industrial National Bank of Providence	Elworthy & Co.
Fahnestock & Co.	The First Cleveland Corporation	Kenower, MacArthur & Co.	King, Quirk & Co. Incorporated	Newhard, Cook & Co.	R. D. White & Company	The Ohio Company	Rauscher, Pierce & Co., Inc.
Kalman & Company, Inc.	The Robinson-Humphrey Company, Inc.	Shuman, Agnew & Co.	C. F. Childs and Company Incorporated	Hayden, Miller & Co.	Lyons & Shafto Incorporated	Seasongood & Mayer	Henry G. Wells & Co., Inc.
Blunt Ellis & Simmons	The Boatmen's National Bank of St. Louis	J. B. Hanauer & Co.	Chester Harris & Co.	Park, Ryan, Inc.	Zahner and Company	Auchincloss, Parker & Redpath	Erush, Slocumb & Co., Inc.
The Fort Worth National Bank	Mullaney, Wells & Company	Wood, Gundy & Co., Inc.	Ellis & Company	Ernst & Company	First National Bank of Minneapolis	Laird, Bissell & Meeds	Hill Richards & Co.
Model, Roland & Stone	Green, Ellis & Anderson	Putnam & Co.	Raffensperger, Hughes & Co. Incorporated	Winslow, Cohu & Stetson Incorporated	John W. Clarke & Co.	Cunningham, Schmertz & Co., Inc.	Federation Bank and Trust Co.
The White-Phillips Company, Inc.	Dreyfus & Co.	Green, Ellis & Anderson	Hill Richards & Co.	Laird, Bissell & Meeds	A. E. Masten & Company	Russ & Company Incorporated	Mallon S. Andrus, Inc.
Granberry, Marache & Co.	Green, Ellis & Anderson	Putnam & Co.	Raffensperger, Hughes & Co. Incorporated	Winslow, Cohu & Stetson Incorporated	John W. Clarke & Co.	Cunningham, Schmertz & Co., Inc.	Federation Bank and Trust Co.
Northwestern National Bank of Minneapolis	M. B. Vick & Company	Putnam & Co.	Raffensperger, Hughes & Co. Incorporated	Winslow, Cohu & Stetson Incorporated	John W. Clarke & Co.	Cunningham, Schmertz & Co., Inc.	Federation Bank and Trust Co.
Edward L. Burton & Company	Elkins, Morris, Stokes & Co.	Janney, Dulles & Battles, Inc.	The Johnson, Lane, Space Corporation	Rockland-Atlas National Bank of Boston	Talmage & Co.	Stubbs, Watkins & Lombardo, Inc.	Stranahan, Harris & Company
W. H. Newbold's Son & Co.	D. A. Pincus & Co.	The Provident Bank	Stubbs, Watkins & Lombardo, Inc.	Talmage & Co.	Stubbs, Watkins & Lombardo, Inc.	Talmage & Co.	Stubbs, Watkins & Lombardo, Inc.
Stranahan, Harris & Company	Stubbs, Watkins & Lombardo, Inc.	Talmage & Co.	Stubbs, Watkins & Lombardo, Inc.	Talmage & Co.	Stubbs, Watkins & Lombardo, Inc.	Talmage & Co.	Stubbs, Watkins & Lombardo, Inc.

January 14, 1960 A circular relating to these bonds may be obtained from any of the above underwriters, as well as other underwriters not shown whose names will be furnished on request.

NEWS ABOUT BANKS AND BANKERS

Consolidations • New Branches • New Offices, etc. • Revised Capitalizations

The election of eight Assistant Vice-Presidents by **Chemical Bank New York Trust Company, N. Y.**, was announced on Dec. 8 by Chairman Harold H. Helm. They are: William B. Beam, Torleaf H. Benestad, James J. Brady, Albert Friedlander, Oliver M. Mendell, Francis W. Murray III, William H. Schofield and Hans U. Wydler. With the exception of Mr. Beam, in the International Division, and Mr. Wydler, in the Credit Division, all are with the bank's Metropolitan Division.

Appointment of Peter Governale, as a member of the Flatbush Advisory Board of **Manufacturers Trust Company, New York**, was announced on Jan. 12 by Horace C. Flanagan, Chairman of the Board.

CHEMICAL CORN EXCHANGE BANK OF NEW YORK

	Dec. 31, '59	Sept. 30, '59
Total resources	4,314,464,349	4,140,956,972
Deposits	3,711,176,704	3,610,441,881
Cash & due from banks	1,180,028,479	875,695,457
U. S. Govt. security holdings	456,816,268	532,689,008
Loans & discounts	2,222,140,161	2,169,068,481
Undiv. profits	67,178,864	62,997,138

COMMERCIAL BANK OF NORTH AMERICA NEW YORK

	Dec. 31, '59	Sept. 30, '59
Total resources	178,729,657	169,675,877
Deposits	160,209,786	145,054,658
Cash & due from banks	27,346,278	19,416,545
U. S. Govt. security holdings	46,764,664	47,292,796
Loans & discounts	87,754,336	87,736,876
Undivided profits	2,324,468	2,710,871

The **United States Trust Company of New York** has promoted David T. Harris and Lloyd W. Pederson to Vice-President in the Investment Division, Donald Maher to Assistant Vice-President in the Personal Trust Division, and Fred W. Albright to Assistant Secretary in the Banking Division, it was announced on Jan. 7 by Hoyt Ammidon, President.

Mr. Harris joined the company in 1947, and will continue as a senior account executive handling personal investment accounts, and will also continue his duties in administering the Trust Company's Correspondent Bank Investment Service.

Mr. Pederson has been with the company since 1941. He is in charge of the Investment Research Department and will continue in that capacity.

Mr. Maher, with the company since 1930, has been Assistant Secretary, administering trusts and estates.

Mr. Albright joined the company in 1935, and has been an administrative assistant in the Banking Division. He will continue his duties with that Division.

FEDERATION BANK AND TRUST CO., NEW YORK

	Dec. 31, '59	June 30, '59
Total resources	172,278,697	184,995,489
Deposits	152,442,898	170,381,726
Cash & due from banks	32,926,292	32,102,264
U. S. Govt. security holdings	18,828,403	22,798,136
Loans & discounts	89,926,950	93,828,924
Undivided profits	1,288,677	1,503,806

J. HENRY SCHRODER BANKING CORP., NEW YORK

	Dec. 31, '59	June 30, '59
Total resources	119,187,345	122,708,872
Deposits	78,442,497	85,602,408
Cash & due from banks	18,017,198	17,453,589
U. S. Govt. security holdings	45,749,989	42,060,018
Loans & discounts	23,406,770	1,673,277
Surplus and undivided profits	6,759,755	7,655,514

SCHRODER TRUST CO., NEW YORK

	Dec. 31, '59	June 30, '59
Total resources	70,341,515	102,857,949
Deposits	61,764,422	94,311,368
Cash & due from banks	13,240,619	12,264,100
U. S. Govt. security holdings	26,293,343	53,353,181
Loans & discounts	27,051,658	30,524,849
Surplus and undivided profits	3,205,593	4,003,369

THE CORPORATION TRUST COMPANY NEW YORK

	Dec. 31, '59	Oct. 6, '59
Total resources	\$4,328,481	\$4,194,863
Deposits	525,666	269,589
Cash & due from banks	1,871,452	1,966,537
U. S. Govt. security holdings	600,151	600,133
Undivided profits	539,768	750,599

William E. P. Doelger, was elected a Director of **Lafayette National Bank of Brooklyn** on Jan. 12.

Mr. Doelger is also a trustee of the **Manhattan Savings Bank, New York**.

KINGS COUNTY TRUST COMPANY, BROOKLYN, N. Y.

	Dec. 31, '59	June 30, '59
Total resources	\$75,058,619	\$80,636,946
Deposits	64,183,239	69,635,079
Cash & due from banks	7,913,111	7,038,705
U. S. Govt. security holdings	14,914,843	15,440,875
Loans & discounts	24,712,212	25,081,774
Undivided profits	1,000,000	1,123,957

SECURITY NATIONAL BANK, LONG ISLAND, N. Y.

	Dec. 31, '59	June 30, '59
Total resources	191,234,140	189,092,870
Deposits	173,978,750	172,269,186
Cash & due from banks	23,247,450	22,322,952
U. S. Govt. security holdings	47,029,750	51,485,703
Loans & discounts	96,530,040	60,380,223
Undivided profits	716,333	618,010

THE MEADOW BROOK NATIONAL BANK OF FREEPORT, NEW YORK

	Dec. 31, '59	June 30, '59
Total resources	449,684,050	394,215,184
Deposits	411,469,876	359,901,869
Cash & due from banks	51,713,809	34,374,555
U. S. Govt. security holdings	94,268,368	108,657,776
Loans & discounts	269,843,766	166,289,500
Undivided profits	2,777,784	1,618,534

LINCOLN ROCHESTER TRUST CO., ROCHESTER, N. Y.

	Dec. 31, '59	June 10, '59
Total resources	399,643,243	376,490,336
Deposits	364,201,006	326,490,336
Cash & due from banks	53,198,200	70,165,912
U. S. Govt. security holdings	94,936,283	104,605,461
Loans & discounts	168,359,275	179,281,108
Undivided profits	4,559,171	5,369,446

THE CONNECTICUT BANK AND TRUST COMPANY, HARTFORD, CONN.

	Dec. 31, '59	June 30, '59
Total resources	436,060,296	427,807,016
Deposits	394,317,575	388,043,510
Cash & due from banks	111,027,167	128,551,237
U. S. Govt. security holdings	81,291,087	66,281,905
Loans & discounts	179,577,150	175,483,995
Undivided profits	7,001,348	6,087,339

THE FAIRFIELD COUNTY TRUST CO., STAMFORD, CONN.

	Dec. 31, '59	Sept. 30, '59
Total resources	188,314,759	181,627,090
Deposits	170,921,606	164,454,831
Cash & due from banks	22,619,562	14,277,675
U. S. Govt. security holdings	39,944,633	45,454,283
Loans & discounts	105,898,304	101,608,944
Undivided profits	1,283,103	1,639,483

The **National Commercial Bank and Trust Company of Albany, New York**, by the sale of new stock, increased its common capital stock from \$5,922,975 to \$6,219,120. Effective Dec. 31. (Number of shares outstanding 829,216, par value \$7.50.)

Mr. Timothy J. Mee was elected a Director of the **Worcester**

County National Bank, Worcester, Mass. on Jan. 12. Mr. Mee is also a Director of the **Industrial National Bank of Providence, R. I.**

THE DETROIT BANK & TRUST CO., DETROIT, MICH.

	Dec. 31, '59	June 30, '59
Total resources	982,109,770	953,882,211
Deposits	891,838,109	867,440,913
Cash & due from banks	149,311,828	175,838,852
U. S. Govt. security holdings	275,933,819	320,003,766
Loans & discounts	421,982,833	339,951,702
Undivided profits	10,805,337	11,814,964

RHODE ISLAND HOSPITAL TRUST CO., PROVIDENCE, R. I.

	Dec. 31, '59	Oct. 6, '59
Total resources	328,606,802	328,053,666
Deposits	291,709,015	279,565,874
Cash & due from banks	46,515,308	47,654,349
U. S. Govt. security holdings	77,997,519	80,429,043
Loans & discounts	183,162,626	177,416,708
Undivided profits	3,662,732	3,524,907

Mr. Michael Singer, has been appointed to the Advisory Board of the **National State Bank of Newark, N. J.**, serving the Federal Trust, Hayes Circle and Springfield Avenue Offices.

Leslie M. Cassidy, was elected a Director of the **First National Bank of Jersey City, N. J.**, it was announced on Jan. 12 by Kingsbury S. Nickerson, President.

Reinhold Zapernick has been appointed Assistant Secretary and Assistant Treasurer of the **Trust Company of Morris County, Morristown, N. J.**, George Munsick, President, announced. Mr. Zapernick will assume charge of the bank's Consumer Credit Department, on Jan. 11.

During the past nine years he has been associated with the **New Jersey Bank & Trust Company of Paterson, N. J.**, where, in an official capacity, he directed many of that bank's consumer credit operations. Previously he was affiliated with the **Manufacturers Trust Company, Beneficial Management Corporation and the Hoboken Bank for Savings.**

NEW JERSEY BANK AND TRUST CO., PATERSON, N. J.

	Dec. 31, '59	June 30, '59
Total resources	287,129,732	283,445,449
Deposits	262,129,370	257,822,850
Cash & due from banks	47,591,858	42,117,029
U. S. Govt. security holdings	54,650,876	60,490,300
Loans & discounts	64,852,368	61,757,370
Undivided profits	4,054,952	3,655,464

The Directors of the **Community Bank of Linden, N. J.**, announced on Jan. 5, the promotion of David P. Nelson, Assistant Treasurer since 1955 to Vice-President. Clarence Doty, formerly Assistant Treasurer was made Treasurer.

Edward L. Becker has been appointed Assistant Cashier in the Metropolitan Department of **Mellon National Bank and Trust Company, Pittsburgh, Pa.**, according to an announcement by Frank R. Denton, Vice-Chairman of the bank.

Mr. Becker began his banking career in 1928 with the East Liberty Branch of **The Union Trust Company of Pittsburgh, Pa.**, which merged with Mellon Bank in 1946. In 1955, he joined the Oakland Office as Assistant Manager and, three years later, became Assistant Manager of the Barclay Office.

The **Scranton National Bank, Scranton, Pa.**, announced the election of Robert E. Nolan, Sr., as a Director.

BROOKLINE SAVINGS AND TRUST CO., PITTSBURGH, PA.

	Dec. 31, '59	June 30, '59
Total resources	\$37,662,485	\$36,438,606
Deposits	32,663,845	31,693,445
Cash & due from banks	3,556,796	4,504,559
U. S. Govt. security holdings	4,958,277	4,958,423
Loans & discounts	22,854,210	21,129,669
Undivided profits	1,188,857	933,017

On Jan. 2, the **Peoples Bank of Hanover, Pa.**, converted into a national bank under the title of **Peoples National Bank of Hanover.**

On Jan. 1, **The Bank of Quinwood, East Rainelle, W. Va.**, changed its title to the **Western Greenbrier Bank.**

SOCIETY NATIONAL BANK OF CLEVELAND, OHIO

	Dec. 31, '59	Sept. 30, '59
Total resources	421,113,081	414,538,142
Deposits	386,463,441	376,468,634
Cash & due from banks	45,799,421	42,261,893
U. S. Govt. security holdings	100,768,711	94,249,026
Loans & discounts	222,441,165	221,977,200
Undivided profits	1,000,000	1,754,825

The office of the Comptroller of the Currency, on Dec. 28, announced the merger of the **Waterbury State Savings Bank Company, Waterville, Ohio**, with common stock of \$50,000 with and into **The National Bank of Toledo, Toledo, Ohio**, with common stock of \$3,000,000. The merger was effected under the charter and title of **The National Bank of Toledo** with capital stock of \$3,162,500. (Number of shares outstanding 126,500, par value \$25.)

The Office of the Comptroller of the Currency announced on Jan. 4, a charter has been issued to **The Geauga County National Bank of Chardon, Chardon, Geauga County, Ohio**. The President is James M. Killpack and the Cashier, James R. Smith. The bank has a capital of \$200,000 and a surplus of \$300,000.

CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST CO. OF CHICAGO, ILL.

	Dec. 31, '59	June 30, '59
Total resources	2,722,698,442	2,648,332,415
Deposits	2,387,106,515	2,349,177,291
Cash & due from banks	602,550,198	655,236,328
U. S. Govt. security holdings	559,037,770	592,946,953
Loans & discounts	1,289,840,819	1,179,574,573
Undiv. profits	22,181,608	38,952,349

State Bank of Edmore, Edmore, Mich. and State Savings Bank, Stanton, Mich., on Jan. 2, consolidated under charter of **State Savings Bank** and new title **Montcalm Central Bank.**

THE NATIONAL BANK OF DETROIT, MICHIGAN

	Dec. 31, '59	Sept. 30, '59
Total resources	1,977,242,915	1,937,121,889
Deposits	1,785,825,595	1,753,074,448
Cash and due from banks	384,549,754	382,735,038
U. S. Govt. security holdings	543,143,394	529,413,272
Loans & discounts	775,112,415	752,099,698
Undiv. profits	25,894,640	23,449,355

By a stock dividend, the **First National Bank, in Lemmon, S. Dak.**, increased its common capital stock from \$50,000 to \$200,000. Effective Dec. 31. (Number of shares outstanding 2,000, par value \$100.)

BANK OF THE COMMONWEALTH DETROIT, MICH.

	Dec. 31, '59	June 30, '59
Total resources	354,022,619	359,317,289
Deposits	324,939,659	329,903,835
Cash & due from banks	50,820,962	55,968,717
U. S. Govt. security holdings	146,098,602	156,284,806
Loans & discounts	132,522,878	121,341,661
Undivided profits	6,131,326	6,267,300

By a stock dividend, **The Security National Bank of Norman, Okla.**, increased its common capital stock from \$250,000 to \$350,000. Effective Dec. 31. (Number of shares outstanding 3,500, par value \$100.)

CITIZENS FIDELITY BANK AND TRUST COMPANY, LOUISVILLE, KENTUCKY

	Dec. 31, '59	June 30, '59
Total resources	283,847,242	246,447,721
Deposits	260,044,776	221,578,922
Cash & due from banks	92,829,948	75,270,246
U. S. Govt. security holdings	65,177,552	47,056,190
Loans & discounts	115,407,034	112,240,002
Undivided profits	3,306,519	3,127,221

At the annual meeting of stockholders of the **Trust Company of**

Georgia, Atlanta, Ga., held on Jan. 12, William C. Wardlaw, Jr., was elected to the Board of Directors.

By a stock dividend, the **Amarillo National Bank, Amarillo, Texas**, increased its common capital stock from \$1,500,000 to \$2,000,000. Effective Dec. 30. (Number of shares outstanding 20,000, par value \$100.)

H. L. Dunham, Valley National Bank, Phoenix, Ariz., executive since 1934 retired on Jan. 1.

Although no longer connected with **Valley Bank, Mr. Dunham** will consult on occasion with his former colleagues, particularly in connection with management training policies.

Mr. Dunham climbed steadily upward in the VNB echelon—from cashier (1934); Vice-President and Director (1940); Senior Vice-President (1949); Executive Vice-President (1953), to Vice-Chairman of the Board in 1955.

At the bank's request, he will continue as a Director.

Birr Adds to Staff

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Eugene D. Brehaut has become affiliated with **Birr & Co., Inc.**, 155 Sansome Street, members of the Pacific Coast Stock Exchange.

Now With Wulff-Hansen

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Ernest J. Colant has become affiliated with **Wulff-Hansen & Co., Russ Building**. He was formerly with **King Merritt & Co., Inc.** and **H. L. Jamieson Co.**

Joins Copley Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Robert T. Swezey has been added to the staff of **Copley & Company, 818 Seventeenth St.** He was formerly with **Allen Investment Company.**

With Harris

President Eisenhower's State of the Union Message

Eighth and last State of the Union address to Congress reports on slight easement in the Soviet position, advises keeping military spending level the same, comments on importance of providing foreign aid and offers guidelines as to how we can improve our balance of payments. As for the domestic, economic front, the President reports that 1960 promises to reach a record high; anticipates a \$200 million surplus for fiscal 1960, and \$4.2 billion surplus for fiscal 1961 despite projected budget increase to \$79.8 billion; and lists "nagging disorders" in price inflation, agriculture, labor-management relations, civil rights, and other problems, requiring solution. And, as if to answer queries about our defense posture, he announces the successful firing and operational inventorying of our

Atlas I. C. B. M.

Tempered with the realization that he will be completing a record number of years of working with an oppositional Congressional majority and that this is his last year of policy making, President Eisenhower's eighth annual audit of, and proposals for, our country placed stress on Executive-Congressional cooperation in dealing with the cold war, on assisting underdeveloped countries, and on our maintaining a non-inflationary viable economy.



Pres. Eisenhower

With regard to the latter, the President asked Congress not to lower taxes until a budget surplus makes it possible to reduce our debt, to live within our means, to rid the economy of archaic restrictions on Federal debt management and on farm policy, and to avoid "yielding to the deceptive bait of the 'easy' Federal tax dollar."

The text of the President's State of the Message follows:

Mr. President, Mr. Speaker, members of the Eighty-sixth Congress, my fellow citizens:

Seven years ago I entered my present office with one long-held resolve overriding all others. I was then, and remain now, determined that the United States shall become an ever more potent resource for the cause of peace—realizing that peace cannot be for ourselves alone, but for peoples everywhere. This determination is shared by the entire Congress—indeed, by all Americans.

Proposes Measures for Peace and Strength

My purpose today is to discuss some features of America's position, both at home and in her relations to others.

First, I point out that for us, annual self-examination is made a definite necessity by the fact that we now live in a divided world of uneasy equilibrium, with our side committed to its own protection and against aggression by the other.

With both sides of this divided world in possession of unbelievably destructive weapons, mankind approaches a state where mutual annihilation becomes a possibility. No other fact of today's world equals this in importance—it colors everything we say, plan and do.

There is demanded of us, vigilance, determination and the dedication of whatever portion of our resources that will provide adequate security, especially a real deterrent to aggression. These things we are doing.

All these facts emphasize the importance of striving incessantly for a just peace.

Only through the strengthening of the spiritual, intellectual, economic and defensive resources of

the free world can we, in confidence, make progress toward this goal.

Second, we note that recent Soviet deportment and pronouncements suggest the possible opening of a somewhat less strained period in the relationships between the Soviet Union and the rest of the world. If these pronouncements be genuine, there is brighter hope of diminishing the intensity of past rivalry and eventually of substituting persuasion for coercion. Whether this is to become an era of lasting promise remains to be tested by actions.

Third, we now stand in the vestibule of a vast new technological age—one that, despite its capacity for human destruction, has an equal capacity to make poverty and human misery obsolete. If our efforts are wisely directed—and if our unremitting efforts for dependable peace begin to attain some success—we can surely become participants in creating an age characterized by justice and rising levels of human well-being.

Over the past year the Soviet Union has expressed an interest in measures to reduce the common peril of war.

Getting Through to the Russians

While neither we nor any other free world nation can permit ourselves to be misled by pleasant promises until they are tested by performance, yet we approach this apparently new opportunity with the utmost seriousness. We must strive to break the calamitous cycle of frustrations and crises which, if unchecked, could spiral into nuclear disaster; the ultimate insanity.

Through the need for dependable agreements to assure against resort to force in settling disputes is apparent to both sides yet as in other issues dividing men and nations, we cannot expect sudden and revolutionary results. But we must find some place to begin.

One obvious road on which to make a useful start is in the widening of communication between our two peoples. In this field, there are, both sides willing, countless opportunities—most of them well known to us all—for developing mutual understanding, the true foundation of peace.

Another avenue may be through the reopening, on Jan. 12, of negotiations looking to a controlled ban on the testing of nuclear weapons. Unfortunately, the closing statement from the Soviet scientists who met with our scientists at Geneva in an unsuccessful effort to develop an agreed basis for a test ban, gives the clear impression that their conclusions have been politically guided.

Those of the British and American scientific representatives are their own freely formed, individual and collective opinions. I am hopeful that as new negotiations begin, truth—not political optimism—will be the guiding light of the deliberations.

Still another avenue may be found in the field of disarmament, in which the Soviets have

professed a readiness to negotiate seriously. They have not, however, made clear the plans they may have, if any, for mutual inspection and verification—the essential condition for any extensive measure of disarmament.

Cites Example of Fruitful Exchange

There is one instance where our initiative for peace has recently been successful. A multilateral treaty signed last month provides for the exclusively peaceful use of Antarctica, assured by a system of inspection. It provides for free and cooperative scientific research in that continent, and prohibits nuclear explosions there pending general international agreement on the subject. The treaty is a significant contribution toward peace, international cooperation, and the advancement of science. I shall transmit its text to the Senate for consideration and approval in the near future.

The United States is always ready to participate with the Soviet Union in serious discussion of these or any other subjects that may lead to peace with justice.

Certainly it is not necessary to repeat that the United States has no intention of interfering in the internal affairs of any nation. Likewise we reject any attempt to impose its system on us or on other peoples by force or subversion.

This concern for the freedom of other peoples is the intellectual and spiritual cement which has allied us with more than 40 other nations in a common defense effort. Not for a moment do we forget that our own fate is firmly fastened to that of these countries; we will not act in any way which would jeopardize our solemn commitments to them.

Why Free World Should Aid Underdeveloped Lands

We and our friends are, of course, concerned with self-defense. Growing out of this concern is the realization that all people of the free world have a great stake in the progress, in freedom, of the uncommitted and newly emerging nations.

These people, desperately hoping to lift themselves to decent levels of living must not, by our neglect, be forced to seek help from, and finally become virtual satellites of, those who proclaim their hostility to freedom.

Their natural desire for a better life must not be frustrated by withholding from them necessary technical and investment assistance. This is a problem to be solved not by America alone, but also by every nation cherishing the same ideals and in position to provide help.

In recent years America's partners and friends in Western Europe and Japan have made great economic progress. Their

newly found economic strength is eloquent testimony to the striking success of the policies of economic cooperation which we and they have pursued.

The international economy of 1960 is markedly different from that of the early post-war years. No longer is the United States the only major industrial country capable of providing substantial amounts of the resources so urgently needed in the newly developing countries.

Rich Nations Cannot Indulge Themselves

To remain secure and prosperous themselves, wealthy nations must extend the kind of cooperation to the less fortunate members that will inspire hope, confidence and progress. A rich nation can for a time, without noticeable damage to itself, pursue a course of self-indulgence, making its single goal the material ease and comfort of its own citizens—thus repudiating its own spiritual and material stake in a peaceful and prosperous society of nations. But the enmities it will incur, the isolation into which it will descend, and the internal moral and physical softness that will be engendered, will, in the long term, bring it to disaster.

America did not become great through softness and self-indulgence. Her miraculous progress

Continued on page 26

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President Eisenhower's State of the Union Message

Continued from page 25

and achievements flow from other qualities far more worthy and substantial—

Adherence to principles and methods consonant with our religious philosophy;

A satisfaction in hard work; The readiness to sacrifice for worthwhile causes;

The courage to meet every challenge to her progress;

The intellectual honesty and capacity to recognize the true path of her own best interests.

To us and to every nation of the free world, rich or poor, these qualities are necessary today as never before if we are to march together to great security, prosperity and peace.

I believe the industrial countries are ready to participate actively in supplementing the efforts of the developing countries to achieve progress.

Measures for Bettering Our Balance of Payments

The immediate need for this kind of cooperation is underscored by the strain in our international balance of payments. Our surplus from foreign business transactions has in recent years fallen substantially short of the expenditures we make abroad to maintain our military establishments overseas, to finance private investment, and to provide assistance to the less developed nations. In 1959 our deficit in balance of payments approached four billion dollars.

Continuing deficits of anything like this magnitude would, over time, impair our own economic growth and check the forward progress of the free world.

We must meet this situation by promoting a rising volume of exports and world trade. Further, we must include all industrialized nations of the free world to work together in a new cooperative endeavor to help lift the scourge of poverty from less fortunate nations. This will provide for better sharing of this burden and for still further profitable trade.

New nations, and others struggling with the problems of development, will progress only if they demonstrate faith in their own destiny and possess the will and use their own resources to fulfill it. Moreover, progress in a national transformation can be only gradually earned; there is no easy and quick way to follow from the ox cart to the jet plane. But, just as we drew on Europe for assistance in our earlier years, so now do those new and emerging nations that have this faith and determination deserve help.

Over the last fifteen years, 20 nations have gained political independence. Others are doing so each year. Most of them are woefully lacking in technical capacity and in investment capital; without free world support in these matters they cannot effectively progress in freedom.

Single Out South-Asian Area for Aid

Respecting their need, one of the major focal points of our concern is the South-Asian region. Here, in two nations alone, are almost five hundred million people, all working, and working hard, to raise their standards, and in doing so to make of themselves a strong bulwark against the spread of an ideology that would destroy liberty.

I cannot express to you the depth of my conviction that, in our own and free world interests, we must cooperate with others to help these people achieve their legitimate ambitions, as expressed in their different multi-year plans.

Through the World Bank and other instrumentalities, as well as through individual action by every nation in position to help, we must squarely face this titanic challenge.

What the Development Process Requires

All of us must realize, of course, that development in freedom by the newly emerging nations, is no mere matter of obtaining outside financial assistance. An indispensable element in this process is a strong and continuing determination on the part of these nations to exercise the national discipline necessary for any sustained development period. These qualities of determination are particularly essential because of the fact that the process of improvement will necessarily be gradual and laborious rather than revolutionary. Moreover, everyone should be aware that the development process is no short-term phenomenon. Many years are required for even the most favorably situated countries.

I shall continue to urge the American people, in the interests of their own security, prosperity and peace, to make sure that their own part of this great project be amply and cheerfully supported. Free-world decisions in this matter may spell the difference between world disaster and world progress in freedom.

Other countries, some of which I visited last month, have similar needs.

A common meeting ground is desirable for those nations which are prepared to assist in the development effort. During the past year I have discussed this matter with the leaders of several Western nations.

Would Use O.E.E.C. for Initial Studies

Because of its wealth of experience, the Organization for European Economic Cooperation could help with initial studies. The goal is to enlist all available economic resources in the industrialized free world—especially private investment capital. But I repeat that this help, no matter how great, can be lastingly effective only if it is used as a supplement to the strength of spirit and will of the people of the newly developing nations.

By extending this help we hope to make possible the enthusiastic enrollment of these nations under freedom's banner. No more startling contrast to a system of sullen satellites could be imagined.

If we grasp this opportunity to build an age of productive partnership between the less fortunate nations and those that have already achieved a high state of economic advancement, we will make brighter the outlook for a world order based upon security, freedom and peace. Otherwise, the outlook could be dark indeed. We face what could be a turning point in history, and we must act decisively.

Keeping Up Our Defense During the Interim

As a nation we can successfully pursue these objectives only from a position of broadly based strength.

No matter how earnest is our quest for guaranteed peace, we must maintain a high degree of military effectiveness at the same time we are engaged in negotiating the issue of arms reduction. Until tangible and mutually enforceable arms reduction measures are worked out, we will not weaken the means of defending our institutions.

America possesses an enormous

defense power. It is my studied conviction that no nation will ever risk general war against us unless we should be so foolish as to neglect the defense forces we now so powerfully support. It is world-wide knowledge that any nation which might be tempted today to attack the United States, even though our country might sustain great losses, would itself promptly suffer a terrible destruction. But I once again assure all peoples and all nations that the United States, except in defense, will never turn loose this destructive power.

Operational ICBMs Now Inventoried

During the past year, our long-range striking power, unmatched today in manned bombers, has taken on new strength as the Atlas intercontinental ballistic missile has entered the operational inventory. In 14 recent test launchings, to ranges over 5,000 miles, Atlas has been striking on an average within two miles of the target. This is less than the length of a jet runway—well within the circle of total destruction. Incidentally, there was an Atlas firing recently. From all reports so far received its performance confirmed to the high standard I just described. Such performance is a great tribute, to American scientists and engineers, who in the past five years have had to telescope time and technology to develop these long-range ballistic missiles, where America had none before.

This year, moreover, growing numbers of nuclear-powered submarines will enter our active forces, some to be armed with Polaris missiles. These remarkable ships and weapons, ranging the oceans, will be capable of accurate fire on targets virtually anywhere on earth. Impossible to destroy by surprise attack, they will become one of our most effective sentinels for peace.

To meet situation of less than general nuclear war, we continue to maintain our carrier forces, our many service units abroad, our always ready Army Strategic Forces and Marine Corps divisions, and the civilian components. The continuing modernization of these forces is a costly but necessary process, and is scheduled to go forward at a rate which will steadily add to our strength.

The deployment of a portion of these forces beyond our shores, on land and sea, is persuasive demonstration of our determination to stand shoulder-to-shoulder with our allies for collective security. Moreover, I have directed that steps be taken to program our military assistance to these allies on a longer range basis. This is necessary for a sounder collective defense system.

Status of Our Space and Missile Programs

Next I refer to our effort in space exploration, which is often mistakenly supposed to be an integral part of defense research and development.

First, America has made great contributions in the past two years to the world's fund of knowledge of astrophysics and space science. These discoveries are of present interest chiefly to the scientific community; but they are important foundation-stones for more extensive exploration of outer space for the ultimate benefit of all mankind.

Second, our military missile program, going forward successfully, does not suffer from our present lack of very large rocket engines, which are so necessary in distant space exploration. I am assured by experts that the thrust of our present missiles is fully adequate for defense requirements.

Third, the United States is pressing forward in the development of large rocket engines to place much heavier vehicles into space for exploration purposes.

Fourth, in the meantime, it is necessary to remember that we have only begun to probe the environment immediately surrounding the earth. Using launch systems presently available, we are developing satellites to scout the world's weather; satellite relay stations to facilitate and extend communications over the globe; for navigation aids to give accurate bearings to ships and aircraft; and for perfecting instruments to collect and transmit the data we seek. This is the area holding the most promise for early and useful applications of space technology.

Fifth, we have just completed a year's experience with our new space law. I believe it deficient in certain particulars and suggested improvements will be submitted shortly.

Strengthening the Sinews of American Life

The accomplishment of the many tasks I have alluded to requires the continuous strengthening of the spiritual, intellectual, and economic sinews of American life. The steady purpose of our society is to assure justice, before God, for every individual. We must be ever alert that freedom does not wither through the careless amassing of restrictive controls or the lack of courage to deal boldly with the giant issues of the day.

A year ago, when I met with you, the nation was emerging from an economic downturn, even though the signs of resurgent prosperity were not then sufficiently convincing to the doubtful. Today our surging strength is apparent to everyone. 1960 promises to be the most prosperous year in our history.

Those "Nagging Disorders"

Yet we continue to be afflicted by nagging disorders.

Among current problems that require solution are:

The need to protect the public interest in situations of prolonged labor-management stalemate;

The persistent refusal to come to grips with a critical problem in one sector of American agriculture;

The continuing threat of inflation, together with the persisting tendency toward fiscal irresponsibility;

In certain instances the denial to some of our citizens of equal protection of the law. Every American was disturbed by the prolonged dispute in the steel industry and the protracted delay in reaching a settlement.

We are all relieved that a settlement has at last been achieved in that industry. Percentage-wise, by this settlement the increase to the steel companies in employment costs is lower than in any prior wage settlement since World War II. It is also gratifying to note that despite the increase in wages and benefits, several of the major steel producers have announced that there will be no increase in steel prices at this time. The national interest demands that in the period of industrial peace which has been assured by the new contract, both management and labor make every possible effort to increase efficiency and productivity in the manufacture of steel so that price increases can be avoided.

One of the lessons of this story is that the potential danger to the entire nation of longer and greater strikes must be met. To insure against such possibilities we must of course depend primarily upon the good common sense of the responsible individuals. It is my intention to encourage regular discussions between management and labor outside the bargaining table, to consider the interest of the public as well as their mutual interest in the maintenance of industrial peace, price stability and economic growth.

To me, it seems almost absurd for the United States to recognize

the need, and so earnestly to seek, for cooperation among the nations unless we can achieve voluntary, dependable, abiding cooperation among the important segments of our own free society.

Failure to face up to basic issues in areas other than those of labor-management can cause serious strains on the firm freedom supports of our society.

What the Agricultural Cure Would Mean

I refer to agriculture as one of these areas.

Our basic farm laws were written 27 years ago, in an emergency effort to redress hardship caused by a world-wide depression. They were continued—and their economic distortions intensified—during World War II in order to provide incentives for production of food needed to sustain a war-torn free world.

Today our farm problem is totally different. It is that of effectively adjusting to the changes caused by a scientific revolution. When the original farm laws were written, an hour's farm labor produced only one-fourth as much wheat as at present. Farm legislation is woefully out of date, ineffective and expensive.

For years we have gone on with an outmoded system which not only has failed to protect farm income, but also has produced soaring, threatening surpluses. Our farms have been left producing for war while America has long been at peace.

Once again I urge Congress to enact legislation that will gear production more closely to markets, make costly surpluses more manageable, provide greater freedom in farm operations, and steadily achieve increased net farm incomes.

Avoiding Budget Deficits and Price Inflation

Another issue that we must meet squarely is that of living within our means. This requires restraint in expenditure, constant reassessment of priorities, and the maintenance of stable prices.

We must prevent inflation. Here is an opponent of so many guises that is sometimes difficult to recognize. But our clear need is to stop continuous and general price rises—a need that all of us can see and feel.

To prevent steadily rising costs and prices calls for stern self-discipline by every citizen. No person, city, state, or organized group can afford to evade the obligation to resist inflation, for every American pays its crippling tax.

Inflation's ravages do not end at the water's edge. Increases in prices of the goods we sell abroad threaten to drive us out of markets that once were securely ours. Whether domestic prices, so high as to be non-competitive, result from demands for too-high profit margins or from increased labor costs that outrun growth in productivity, the final result is seriously damaging to the nation.

We must fight inflation as we would a fire that imperils our home. Only by so doing can we prevent it from destroying our salaries, savings, pensions and insurance, and from gnawing away the very roots of a free, healthy economy and the nation's security.

Anticipated June 30 Small Surplus

One major method by which the Federal Government can counter inflation and rising prices is to insure that its expenditures are below its revenues. The debt with which we are now confronted is about \$290,000,000,000. With interest charges alone now costing taxpayers about \$9,500,000,000, it is clear that this debt growth must stop. You will be glad to know that despite the unsettling influences of the recent steel strike, we estimate that our accounts will show, on June 30, this year,

a favorable balance of approximately \$200,000,000.

I shall present to the Congress for 1961 a balanced budget. In the area of defense, expenditures continue at the record peacetime levels of the last several years. With a single exception, expenditures in every major category of health, education and welfare will be equal or greater than last year. In space expenditures the amounts are practically doubled. But the over-all guiding goal of this budget is national need—not response to specific group, local or political insistence.

Expenditure increases, other than those I have indicated, are largely accounted for by the increased cost of legislation previously enacted.

1961 Balanced Budget and Fiscal Surplus

I repeat: This budget will be a balanced one. Expenditures will be \$79,800,000,000. The amount of income over outgo described in the budget as a surplus to be applied against our national debt is \$4,200,000,000.

Personally, I do not feel that any amount can be properly called a surplus as long as the nation is in debt. I prefer to think of such an item as a reduction on our children's inherited mortgage. And once we have established such payments as normal practice we can profitably make improvements in our tax structure and thereby truly reduce the heavy burdens of taxation.

In any event, this one reduction will save taxpayers each year approximately \$200,000,000 in interest costs.

This budget will help ease pressures in our credit and capital markets. It will enhance the confidence of people all over the world in the strength of our economy and our currency and in our individual and collective ability to be fiscally responsible.

Attacks Congress' Restrictions on Debt Management

In the management of the huge public debt the Treasury is unfortunately not free of artificial barriers. Its ability to deal with the difficult problems in this field has been weakened greatly by the unwillingness of the Congress to remove archaic restrictions. The need for a freer hand in debt management is even more urgent today because the costs of the undesirable financing practices which the Treasury has been forced into are mounting. Removal of this roadblock has high priority in my legislative recommendations.

Protecting the Right to Vote

Still another issue relates to civil rights.

In all our hopes and plans for a better world we all recognize that provincial and racial prejudices must be combatted. In the long perspective of history, the right to vote has been one of the strongest pillars of a free society. Our first duty is to protect this right against all encroachment. In spite of constitutional guarantees, and notwithstanding much progress of recent years, bias still deprives some persons in this country of equal protection of the laws.

Early in your last session, I recommended legislation which would help eliminate several practices discriminating against the basic rights of Americans. The Civil Rights Commission has developed additional constructive recommendations. I hope that these will be among the matters to be seriously considered in the current session. I trust that Congress will thus signal to the world that our government is striving for equality under law for all our people.

Each year and in many ways our nation continues to undergo profound change and growth.

In the past 18 months, we have

hailed the entry of two more states of the Union—Alaska and Hawaii. We salute these two Western stars proudly.

Our Metropolitan Population Explosion

Our vigorous expansion, which we all welcome as a sign of health and vitality, is many-sided. We are, for example, witnessing explosive growth in metropolitan areas.

By 1975 the metropolitan areas of the United States will occupy twice the territory they do today. The roster of urban problems with which they must cope is staggering. They involve water supply, cleaning the air, adjusting local tax systems, providing for essential educational, cultural, and social services, and destroying those conditions which breed delinquency and crime.

In meeting these, we must, if we value our historic freedoms, keep within the traditional framework of our Federal system with powers divided between the national and state governments. The uniqueness of this system may confound the casual observer, but it has worked effectively for nearly 200 years.

I do not doubt that our urban and other perplexing problems can be solved in the traditional American method. In doing so we must realize that nothing is really solved and ruinous tendencies are set in motion by yielding to the deceptive bait of the "easy" Federal tax dollar.

Our educational system provides a ready example. All recognize the vital necessity of having modern school plants, well-qualified and adequately compensated teachers, and of using the best possible teaching techniques and curricula.

We cannot be complacent about educating our youth.

Refuses to Be Panicked About Education's Progress

But the route to better-trained minds is not through the swift administration of a Federal hypodermis of sustained financial transfusion. The educational process, essentially a local and personal responsibility, cannot be made to leap ahead by crash, centralized government action.

The Administration has proposed a carefully reasoned program for helping eliminate current deficiencies. It is designed to stimulate classroom construction, not by substitution of Federal dollars for state and local funds, but by incentives to extend and encourage state and local efforts. This approach rejects the notion of Federal domination or control. It is workable, and should appeal to every American interested in advancement of our educational system in the traditional American way. I urge the Congress to take action upon it.

Urgent Support Given to International Rule of Law

There is one other subject concerning which I renew a recommendation I made in my State of the Union Message last January. I then advised the Congress of my purpose to intensify our efforts to replace force with a rule of law among nations. From many discussions abroad, I am convinced that purpose is widely and deeply shared by other peoples and nations of the world.

In the same message, I stated that our efforts would include a re-examination of our own relation to the International Court of Justice. The Court was established by the United Nations to decide international legal disputes between nations. In 1946 we accepted the Court's jurisdiction, but subject to a reservation of the right to determine unilaterally whether a matter lies essentially within domestic jurisdiction. There is pending before the Senate a resolution which would repeal our present self-judging

reservation. I support that resolution and urge its prompt passage. If this is done, I intend to urge similar acceptance of the Court's jurisdiction by every member of the United Nations.

Reminisces on Joint Congressional-Executive Duty

Here perhaps it is not amiss for me to say to the members of the Congress, in this my final year of office, a word about the institutions we respectively represent and the meaning which the relationship between our two branches has for the days ahead.

I am not unique as a President in having worked with a Congress controlled by the opposition party—except that no other President ever did it for quite so long! Yet in both personal and official relationships we have weathered the storms of the past five years. For this I am grateful.

My deep concern in the next 12 months before my successor takes office, is with our joint Congressional-Executive duty to our own and to other nations. Acting upon the beliefs I have expressed here today, I shall devote my full energies to the task at hand, whether these involve travel for promoting greater world understanding, negotiations to reduce international discord, or constant discussions and communications with the Congress and the American people on issues both domestic and foreign.

In pursuit of these objectives, I look forward to, and shall dedicate myself to, a close and constructive association with the Congress.

Every minute spent in irrelevant interbranch wrangling is precious time taken from the intelligent initiation and adoption of coherent policies for our national survival and progress.

We seek a common goal—brighter opportunity for our own citizens and a world peace with justice for all.

Before us and our friends is the challenge of an ideology which, for more than four decades, has trumpeted abroad its purpose of gaining ultimate victory over all forms of government at variance with its own.

Contrasts Single-Minded Enterprise of Communism

We realize that however much we repudiate the tenets of imperialistic communism, it represents a gigantic enterprise, grimly pursued by leaders who compel its subjects to subordinate their freedom of action and spirit and personal desire for some hoped-for advantage in the future.

The Communists can present an array of material accomplishments over the past 15 years that lends a false persuasiveness to many of their glittering promises to the uncommitted peoples.

The competition they provide is formidable.

But in our scale of values we place freedom first—our whole national existence and development have been geared to that basic concept and are responsible for the position of free world leadership to which we have succeeded. Freedom is the highest prize that any nation can possess; it is one that communism can never offer. And America's record of material accomplishment in freedom is written not only in the unparalleled prosperity of our nation, but in the many billions we have devoted to the reconstruction of free world economies wrecked by World War II and in the effective help of many more billions we have given in saving the independence of many others threatened by outside domination. Assuredly we have the capacity for handling the problems in the new era of the world's history we are now entering.

But we must use that capacity intelligently and tirelessly, regardless of personal sacrifice.

The fissure that divides our political planet is deep and wide.

We live, moreover, in a sea of semantic disorder in which old labels no longer faithfully describe.

Police states are called "people's democracies." Armed conquest of free people is called "liberation."

Such slippery slogans make more difficult the problem of communicating true faith, facts and beliefs.

Getting Our Peaceful Nature Across to the World

We must make clear our peaceful intentions, our aspirations for a better world. So doing, we must use language to enlighten the mind, not as the instrument of the studied innuendo and distorter of truth.

And we must live by what we say.

On my recent visit to distant lands I found one statesman after another eager to tell me of the elements of their government that had been borrowed from our American Constitution and from the indestructible ideals set forth in our Declaration of Independence.

As a nation we take pride that our own constitutional system, and the ideals which sustain it, have been long viewed as a fountainhead of freedom.

By our every action we must strive to make ourselves worthy of this trust, ever mindful that an accumulation of seemingly minor encroachments upon freedom gradually could break down the entire fabric of a free society.

So persuaded, we shall get on with the task before us.

So dedicated, and with faith in the Almighty, humanity shall one day achieve the unity of freedom to which all men have aspired from the dawn of time.

DWIGHT D. EISENHOWER

Cgo. Statisticians Midwest Confer.

CHICAGO, Ill.—The 7th annual Mid-West Conference of the Chicago Chapter of the American Statistical Association and the Chicago Association of Commerce and Industry will be held March 25-26 at the Congress Hotel in Chicago.

The general theme of the Conference is centered on the evaluation and practical application of modern statistical tools. Each of the individual topics will be presented in two simultaneously conducted sessions—one at an elementary, the other at an advanced level of discussion. Another feature of the program this year will be a special supplementary session devoted to the playing of Management Games, a newly developed management training device. Competing teams will feed their "management decisions" into an electronic computer to see if they can turn their "company" into the industry leader.

Dallas Manager for F. I. duPont & Co.

DALLAS, Tex.—James Ned Jackson has been appointed Manager of the Dallas office of Francis I. duPont & Co., Mercantile Bank Building, it has been announced by A. Rhett duPont, senior partner.

Mr. Jackson, who has been active in the investment field since 1955, succeeds Claude M. Rush, who has relinquished the managerial post to devote himself to the supervision of investment accounts.

Josephthal & Co. Expands Foreign Dept.

Josephthal & Co., 120 Broadway, New York City, members of the New York Stock Exchange, have announced the expansion of their Foreign Department under the managership of John I. Taeni with Kurt I. Lewin as co-manager.

\$120 Million Bonds Of New York State Power Agency Sold

Issue marketed by Dillon, Read, Halsey, Stuart, Kuhn, Loeb, W. H. Morton Group. Third step in financing of \$720,000,000 Niagara Hydro-Electric Project.

A nationwide syndicate of more than 350 investment banking firms, managed by Dillon, Read & Co. Inc., Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co., and W. H. Morton & Co. Incorporated, offered for sale on Jan. 12 an issue of \$120,000,000 Power Authority of the State of New York, general revenue bonds, series G.

The issue consists of \$96,000,000 4½% term bonds due Jan. 1, 2006, priced at 100%; and \$24,000,000 serial bonds maturing on each Jan. 1 from 1965 to 1979, priced to yield from 3.5% in 1965 to 4% in 1979.

After the sale of the series G revenue bonds, the Authority will have issued \$520,000,000 out of \$720,000,000 which is estimated to be required to complete the Power Authority's Niagara Project now under construction. The Niagara Project will be physically inter-connected by means of a tie-line with the Authority's \$335,000,000 Saint Lawrence Project. When completed, these two projects will form one of the largest hydro-electric developments in the world. The Saint Lawrence Project is now in full operation with the last of the 16 generating units having been installed in July, 1959. Commercial production of power started in July, 1958 and to date the Authority has produced and sold approximately seven billion kilowatt-hours. The Niagara Project is approximately 50% completed. Initial generation is scheduled to begin early in 1961 and all of the units are expected to be in operation by the end of 1962.

The bonds are subject to redemption, as a whole or in part, at any time on or after Jan. 1, 1970, as set forth in the Authority's official statement.

The present trustees of the Authority are: Robert Moses, Chairman, William Wilson, Vice-Chairman, and Charles Poletti, A. Thorne Hills and Finla G. Crawford. William S. Chapin is general manager and chief engineer of the Authority.

The bonds are exempt as to interest from Federal income taxes and New York State income tax, and are legal investments under New York State law for insurance companies, banks and trust companies, savings banks and certain trust funds, in the opinion of bond counsel.

Among those associated with Dillon, Read & Co. Inc., Halsey, Stuart & Co. Inc., Kuhn, Loeb & Co. and W. H. Morton & Co. Incorporated in the offering are:

Blyth & Co., Inc.; Drexel & Co.; Eastman Dillon, Union Securities & Co.; The First Boston Corporation; Glore, Forgan & Co.; Goldman, Sachs & Co.; Harriman Ripley & Co. Incorporated; Kidder, Peabody & Co.; Ladenburg, Thalmann & Co.; Lazard Freres & Co.

Lehman Brothers; Merrill Lynch, Pierce, Fenner & Smith Incorporated; Morgan Stanley & Co.; R. W. Pressprich & Co.; Smith, Barney & Co.; Stone & Webster Securities Corporation; B. J. Van Ingen & Co. Inc.; and White, Weld & Co.

Joins Hooker & Fay

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Irving L. Ayres is now connected with Hooker & Fay, Inc., 221 Montgomery Street, members of the New York and Pacific Coast Stock Exchanges.

AS WE SEE IT (Continued from page 1)

omies wrecked by World War II and in the effective help of many more billions we have given in saving the independence of many others threatened by outside domination. Assuredly we have the capacity for handling the problems in the new era of the world's history we are now entering."

What We Wish He Had Said

What we should have liked to have the President say in straight flung words and few—particularly since his words will be read and pondered throughout that so-called uncommitted world is that we are where we stand today precisely because we nurtured individual liberty, and that any other peoples who aspire to sustained abundance of the things they want must of necessity do the same thing, whatever the claims or the actual economic achievements of Russia where a minimum, though apparently increasing degree, of individual freedom is allowed. We should, moreover, be better pleased had he clearly and indisputably repudiated the notion that it is now needful for us to call upon government to control this, "encourage" that, and subsidize something else if we are to realize our full economic potential in the future.

We have often in the past proclaimed the potency of individual liberty as the promoter of the ultimate in economic progress and achievement. So have a few—altogether too few—other voices crying in the wilderness. It should not be needful, but apparently is, again to expound the role of individual liberty as a basis for economic accomplishment. We, therefore, ask the readers' indulgence if we introduce at this point the renowned presentation of this basic truth from a pen far mightier than ours. The immortal Adam Smith published his "Wealth of Nations" in 1776 as if to mark the date of our Declaration of Independence. From that imperishable volume we take the following extract:

"Every system which endeavours, either by extraordinary encouragements to draw towards a particular species of industry a greater share of the capital of the society than what would naturally go to it, or, by extraordinary restraints, force from a particular species of industry some share of the capital which would otherwise be employed in it, is in reality subversive of the great purpose which it means to promote. It retards, instead of accelerating, the progress of the society towards real wealth and greatness; and diminishes instead of increasing, the real value of the annual produce of its land and labour.

"All systems either of preference or of restraint, therefore, being thus completely taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man or order of men. The sovereign is completely discharged from a duty, in attempting to perform which he must always be exposed to innumerable delusions, and for the proper performance of which no human wisdom or knowledge could ever be sufficient; the duty of superintending the industry of private people, and of directing it towards the employments most suitable to the interest of the society."

Very Important Factor

It is of the utmost importance in this day and time that we never for a moment lose to sight this basic principle of the free enterprise system as we have known it throughout our formative years and, as with some unfortunate exceptions, we still know it. Full awareness of this fundamental tenet is essential in our dealings with the so-called backward peoples if we are to realize our hope of keeping them out of the clutches of the imperial communists. These peoples have no conception of individual freedom as we think of it; they are not imbued with the spirit of the eighteenth and nineteenth centuries as were we when we grew to greatness. If they get the idea that they must choose between individual liberty as we know it, and relief from their grinding poverty, no one need have any doubt what their choice would be. In fine, should we go to these peoples preaching the doctrine of individual liberty as more important to them than more bread, we are doomed to defeat. We must, rather, convince them that economic achievement, to be real and permanent, must be sought through a system of individual freedom and initiative — or we ask for failure. Nor are we likely to realize our own maximum achievements unless

and until we do better in bearing these tenets of individual freedom in mind when formulating our own domestic policies and programs.

What Role Should Canadian Credit and Capital Play?

Continued from page 9

sort play a part in their decisions as to the allocations of the credit resources at their disposal. In particular they have declared unequivocally that it is their purpose and policy, at a time when a quite selective approach has to be taken in the field of bank lending, to pay particular attention to those credit-worthy borrowers who are most dependent upon bank credit in their business operations and least able to find other sources of borrowed funds.

Bulk of Credit Comes From Re-Lending

Although the total amount of bank credit has a tendency to increase over time, with rather large fluctuations in the rate of increase from year to year, the increase is itself only a very small part of the total credit extended by the banks each year. On the average, year in and year out 95% or more of the volume of bank loans being made represents a re-lending of funds which had previously been lent (usually within the preceding 12 months). The banks manage a pool of credit in which the changes from borrower to borrower are in the aggregate much more important than the change in the total amount of credit outstanding. New businesses are, of course, constantly being started and new loans are being arranged for such new businesses every year, every month, every week. Many other businesses will at any given moment be growing in the scale of their activities and in the degree of bank credit which they need and obtain, but at the same time other businesses will be declining or their need of bank credit will be falling as a result of the accumulation of internal funds from earnings or depreciation, or because they have obtained funds from the issue of bonds or stocks. Moreover, a bank's view of the amount of credit that can appropriately be provided will in some cases be revised downward. There are also important seasonal movements which vary greatly from one type of industry or commercial enterprise to another, and the structure of bank loans will also reflect changes in trade credit relationships between producers, wholesalers and retailers and consequently in the amount of banking accommodation required by the enterprises in these various categories.

Most of the lending business of the banks would, therefore, be carried on in substantially the same way as before even if there were no year-to-year increase in the total volume of the bank's resources over a considerable period.

Within a given total volume of bank credit, there are certain fields of credit that the banks can expand or contract more easily than others, fields in which the trend can be made the opposite of

the cyclical trend in other fields. One obvious example is consumer credit, whether direct loans by banks to individuals for the purpose of buying consumer durables, or loans by banks to instalment finance companies and merchandisers to enable them to finance such consumer purchases. Such loans by banks may tend to expand when other demand is slack, but may be contracted at a time when there is strong business demand for credit for normal working capital purposes. (Consumer credit in such case is largely financed through the placing of new issues of securities by instalment finance companies on the capital market.) There is in other respects also a great degree of flexibility in the short-term loan accounts of the banks, both between different categories of borrowers, and within each category between borrowers who are entirely dependent on bank credit and those which have other possibilities for raising funds.

Describes the Capital Market

Turning now to the Canadian capital market outside the banks, the volume of securities sold in recent years has reached very high figures. In the four years 1954-57 (covering a full business cycle), net sales to non-bank investors of securities payable in Canadian dollars amounted to \$5,725 million, which was nearly three times the increase in chartered bank loans and investments during the period.

Such net sales of securities to non-bank investors thus amounted to an average of \$1,430 million per year over the period 1954-57. In 1958 the corresponding figure was \$1,255 million (total net new issues of securities amounted to \$2,560 million but net purchases of securities by banks were \$1,305 million). In 1959 to the end of November the figure reached an extraordinarily high level of \$2,865 million (composed of net new issues of \$2,085 million plus net sales by banks of \$780 million).

Net new issues in Canada in recent years by category of borrower and kind of securities issued have been as follows:

Nevertheless, the requirements of Canadian borrowers have greatly exceeded the supply of funds made available in Canada for investment at going rates of interest, and have resulted in substantial placements of new issues of foreign-pay securities in the United States and other markets abroad. Aside entirely from funds obtained by Canadian subsidiaries from their parent companies abroad by way of direct investment here, net new issues of foreign-pay Canadian securities (other than Government of Canada) have averaged \$450 million per year for the last four years.

Of the four-year total of \$1,800 million of net new issues of se-

	Issues Payable in Canadian Dollars Only		
	Average 1954-57	1958	1959 (11 Mos.)
(Millions of Dollars)			
Govt. of Canada and C. N. R.—			
Treasury Bills and Notes.....	55	130	580
Canada Savings Bonds.....	255	245	370
Marketable Bonds.....	365	1,135	80
Total.....	55	1,250	1,030
Provincial govts. (and agencies)	340	455	300
Municipalities (and agencies)---	190	210	150
Corporate bonds and finance			
company notes.....	535	350	215
Corporation shares.....	455	295	390
	1,465	2,560	2,085

curities whose principal and interest are payable in foreign currency, \$600 million was issued by Canadian provinces, \$400 million by Canadian municipalities, and \$800 million by Canadian corporations. Some of these corporations, unlike provinces and municipalities, have substantial revenues or export proceeds in foreign currency which may be used to pay interest and repay the principal amounts of their foreign-currency borrowings, and which provide a natural hedge against the exchange risk involved in servicing the foreign-currency borrowings.

The raising of funds by sale of securities or by direct loans is, of course, only one method by which savings, domestic or foreign, are channelled into investment in capital development. For example, substantial amounts also become available for direct use by the saver in the form of depreciation allowances earned and undistributed corporate profits, and that part of personal savings which is invested by the savers in their own houses and in unincorporated businesses.

Defines Real Capital

In discussing the role of credit and capital, I should explain that by capital I mean real capital or physical capital such as buildings, machinery, equipment, improved land, and works and undertakings of many kinds which are not consumed or used up as soon as they can be transferred from producer to user but which continue in existence for some time and are either used for the production of other goods and services, or are themselves of use and enjoyment to their owners or to the general public.

Real capital can only come into existence through the application of human labor to produce durable things, not by the multiplication of money or credit.

While there are limits to the amount of real capital that can be brought into existence at any time, there is no similar limit to the amount of money or credit that can be created and transferred. In addition to agencies which lend the savings of others—such as life insurance companies, pension funds, savings institutions of various kinds—there are other agencies whose business also involves them in the creation of money or credit. The central bank can create credit, credit which is usually called money and which has the unique quality that it must be accepted in full settlement of any debt. Banking institutions, in so far as they create credit, are in much the same position.

Undoubtedly there are times in a recession when a moderate increase in the total amount of money or credit created or circulated by central banking and other agencies can properly operate to stimulate economic activity.

There may be other circumstances of an opposite nature in which it would be in the public interest for the central bank and other agencies to hold the total supply of credit constant, or to bring about a decrease, or to slow down the transfer of credit in an endeavor to moderate an excessive tendency on the part of spending bodies to attempt to make use of an already existing volume of credit too rapidly.

The possible useful degree of action by a central bank in modifying the supply of credit upwards or downwards for general economic reasons of this character has I believe been greatly exaggerated. My own view, which I admit has evolved over the years, is that the most desirable way in which this influence can be exerted is through relatively small movements in the total supply of money or credit of the kind cre-

ated by the central bank and the commercial banks.

Difficulty in Reducing Money Supply

This view has so far been generally accepted or at any rate practiced only with respect to moderating possible decreases in the supply of money. There has in fact been no period since the war, even when major inflationary tendencies were apparent, when there has been any significant decrease in the total volume of money or when public opinion would have tolerated such a decrease, and I do not say that any such decrease would in the circumstances have been desirable. I do not think that a major reduction in the money supply should be looked to as a means of countering inflationary trends, not, at any rate, if sufficient restraint has been exercised in previous expansions of the money supply.

In a time of recession a modest increase in the total quantity of money should I think be sufficient to provide a climate of opinion in financial matters which was favorable to investment and some decrease in the level of interest rates. Agreement on acceptance of this half of the general view I have indicated is apparently much more difficult to achieve. At any rate there appears to have been too easy an acceptance of the contrary opinion that in a recession there is virtually no limit to the amount of monetary expansion—and some would also say to the amount of government deficit—that can be justified as being necessary to stimulate spending throughout the economy and thus the level of economic activity and employment. Indeed, even at times of high employment we find voices in every quarter urging further monetary expansion for one reason or another. The refusal to accede to such urgings is not, of course, founded on any bias against expansion, but rests on the firm conviction that in periods of high employment, reliance on monetary expansion to facilitate particular expenditure programs, no matter how worthy in themselves, does much more harm than good.

Current Capital Spending Situation

Turning to the current situation, it may be of interest to refer to the approximate magnitude of capital expenditure in Canada on physical works and equipment during the present year. Expenditures on new housing are estimated at \$1,700 million, capital outlays by government departments and government-owned business enterprises (excluding housing) at \$2,750 million, private expenditures on non-residential construction at \$2,000 million and private business purchases of machinery and equipment at \$2,100 million. The addition of investment in inventories would bring the total to approximately \$9,000 million, which is 26% of our Gross National Product. About \$5,000 million of this total was covered by depreciation earned or took the form of government departments' capital expenditures charged to current account. The remaining amount of roughly \$4,000 million had to be financed by net new savings, domestic or foreign. Of this, net personal saving provided about \$1,700 million and net retained business earnings provide about \$900 million, so that \$1,400 million was required from the savings of foreigners.

In connection with net personal saving, we should bear in mind that the figure used is net; it is the difference between saving resulting from consumption at a level below income on the part of some people, and dissaving or consumption in excess of income by others. A change in net personal saving may come about either by a change in the amount

of new saving by those who save, or a change in the amount of dissaving by those who spend for consumption in excess of their incomes, either by liquidating previously acquired money or financial assets, or by borrowing. Large changes in consumer credit from year to year can make the net figure for personal saving fluctuate erratically. Consumer credit of fairly constant volume does not have this particular effect, the repayment of previous borrowing being a form of saving that offsets (in the statistics) an equal volume of new borrowing, but large increases in the total volume of consumer credit of all kinds in a relatively short period can add to instability in employment, prices, interest rates and the degree of foreign borrowing. The use even at a constant level of any significant part of new savings to finance a rate of consumption that cannot be covered out of current income means, of course, that less is available from new domestic saving to finance additions to our capital assets.

States Objective of Economic and Social Policy

Private business capital expenditure is subject to cyclical fluctuation which no doubt can never be completely ironed out. On the other hand it is clearly an objective of economic and social policy to try to hold to a minimum the fluctuations in the total level of economic activity and to encourage steady growth. Fluctuations in consumer credit, in housing and in governmental capital spending would assist this objective if they could operate in the opposite direction to fluctuations in private business capital expenditures to the extent that the latter are not amenable to some method or methods of fostering greater stability in themselves.

We are accustomed to think of the United States economy as being subject to sharper fluctuations than our own, and indeed to be the source of a good part of our own fluctuations through effects on our exports and on capital expenditures in new plants and equipment for the production of goods for export. We must, however, recognize that the United States finances all of its own continuing economic growth out of the savings of its people, with enough savings left over to make a substantial net contribution to the capital requirements and economic growth of a large part of the rest of the world, including Canada. The United Kingdom and several other European countries also now produce savings in excess of their own capital expenditures and export the surplus to other parts of the world. There can be no doubt that some seriously under-developed countries urgently need foreign capital, real goods and services provided out of other people's savings, if they are to make an effective start to raise their standard of living above the subsistence level by moving into the industrial age. Canada is both an important industrial nation and a large importer of capital, indeed by far the largest importer of capital in the world.

In Canada we have had a scale of capital expenditure by the private economy and governments together at the rate of 26% of our Gross National Product as compared with 18% in the United States. Though our own over-all saving rate has been relatively high, it has not been sufficient to match this extraordinarily high rate of capital expenditure, and we have in recent years therefore had to import capital to the tune of \$1,000-\$1,500 million per year. It is perhaps not premature to suggest the time has come for us to give more and more thought to the question whether it is advisable or desirable to have so wide a gap between our saving rate and our capital expenditure

rate, involving as this does such heavy borrowing abroad.

Time to Cut Down Foreign Borrowings

Some may feel that capital expenditures on this scale are necessary to maintain full employment. Surely not. No economy as advanced as ours should allow itself to be moulded into a pattern of employment which is dependent for any extended period on capital expenditures financed by foreign borrowing on such a scale. The alternative to this is to cut our coat rather more in accordance with the cloth, and through policies of moderation and self-restraint to increase our rate of domestic saving or moderate our demands for capital to those which can be satisfied with smaller supplements of resources from abroad.

At the present time the North American economy has progressed a long distance from the low point of the recession in the spring of 1958. It looks as if the Gross National Product in Canada in 1959 will confirm the Minister of Finance's assumption in his budget last April of an increase of 7% over 1958, and total demand may be such as to bring about a similar increase in 1960 over 1959 if such is physically possible. In the United States, growth of production in the latter part of 1959 has been considerably slowed, indeed set back, by the effects of the long steel strike, but there appear to be virtually unanimous forecasts of a large rise in total production in 1960. In particular, recent surveys have indicated substantial increases in planned expenditures on fixed plant and equipment.

These forecasts suggest that aggregate demand for capital by private business, by individuals (for such things as housing and consumer credit) and by governments and government enterprises will exceed the supply of physical resources that may be made available—by new saving—for such purposes. If it should turn out that demands upon resources were so large in total that they could not all be accommodated, one would hope that the decision on the part of some to withdraw or reduce their requirements would be made before the competition became fierce enough to produce a significant rise in prices and other undesirable developments. In these circumstances, excessive creation of credit in order to produce artificially low interest rates would merely increase the upward pressure on prices and resources.

Wants a Free Interest Rate

The test of interest rates to some extent determines relative priorities in demands for capital in the private sector of the economy. In the public sector also the test of interest rates plays a role, but other considerations may be more important. Government capital expenditures whether national, provincial or local, can be financed by borrowing at current interest rates, or may be paid for out of immediate increases in taxes, which might well mean a lower overall tax level in the long run, or capital works programs may be slowed down or postponed. There is another factor which must be taken into account if the question should arise whether it would be sound public policy to encourage the granting of credit to governments at lower interest rates than would otherwise have to be paid in the market. It is clear that not all governments in a given category operate with the same degree of efficiency, frugality and prudence. Some have lower expenditures or higher tax rates and rely less on borrowing than others. The provision of loans to governments at artificially low interest rates would in effect subsidize borrowing, as against pay-as-you-go programs. It would remove some of the relative advantages of efficiency and deprive the more

frugal and the more prudent of some of the benefits which they have a right to expect.

When the total demand for resources and funds becomes excessive, as has been the case for some years in Canada in relation to the supply of domestic resources and saving—it becomes a matter for individual decision by each element in the governmental sector how vigorously to press its claims. It is in some ways easier for governments voluntarily to reduce or postpone spending programs than it is for an individual business enterprise voluntarily to give up plans for capital investment which would affect its long-run competitive position. It is well known, of course, that the Federal Government endeavors to modify its capital spending programs in such a way as to provide a stabilizing influence in the business cycle. This is by no means an easy thing to do with complete success, but it can scarcely be denied that some success has been achieved. The provinces and municipalities on the other hand for reasons which are understandable have, if anything, a tendency to increase rather than mitigate the fluctuations which arise in total economic activity. But if a broader view of the situation can be taken, a question for consideration is whether it would be advantageous to reduce their programs in periods of general prosperity and increase them in periods of reduced economic activity. In addition to other desirable results this would undoubtedly mitigate fluctuations in interest rates and over a period of time save money for the governmental bodies concerned. If it is necessary to maintain capital programs without reduction even when the level of economic activity is very high, the further question arises, whether they could not be financed to a greater extent through increased revenues.

Central Bank Can't Do It Alone

When in any country the total public and private demands for capital in money terms is so large as to be incapable of being realized in physical terms, it does not necessarily follow that the only way or the best way to restrain inflation arising from this source would be to use the instruments of monetary policy to bring about a contraction in the total volume of credit. Central banks, it is true, are charged by their statutes to use their best efforts to prevent inflation. But to attempt to do too much by monetary means alone might have undesirable side effects. These could be avoided or minimized to the extent that fiscal and other measures could be employed by the appropriate authorities—measures to provide checks or incentives which would affect the total volume of spending or intended spending, and borrowing, and the balance between savings and investments. These are problems of public policy which require serious thought by all those who wish to see continuous balanced economic growth with a minimum of dislocations and other damage done by inflation. Are we as a people sufficiently serious about these objectives? Are we as a people prepared to explore the feasibility of striving for the goal of balanced economic growth with price stability along a broad front of policies—public and private, national and local—so that undue reliance shall not be placed on monetary policy? Monetary policy cannot possibly do the whole job by itself, and would be severely handicapped if left in sole possession of such responsibility. To say this is not to say that monetary policy cannot make an important contribution. What that contribution can be is not preordained but must evolve in accordance with changing circumstances in the

economic environment and in various fields of social policy.

*An address by Mr. Coyne before the Investment Dealers' Association of Canada (Ontario District), Toronto.

Johnson Lane Space Sells Fla. Tile Com.

The Johnson, Lane, Space Corp. offered publicly on Jan. 7, 105,000 shares of Florida Tile Industries, Inc. class A common stock at a price of \$5.75 per share. The issue was all sold.

The company intends to use the net proceeds from the sale of the class A shares for the retirement of short-term bank loans and for additional working capital in carrying out various corporate projects one of which may be additional facilities.

Florida Tile Industries, Inc., with headquarters in Lakeland, Fla., is engaged in the manufacture of an extensive line of sizes and shapes of glazed non-vitreous ceramic tile in 18 different colors. The company's present manufacturing plant has an approximate maximum production capacity of 6,000,000 square feet of ceramic tile per year. New kilns, expected to be installed by May 1, 1960, are expected to lift the company's output capacity to 8,280,000 square feet of ceramic tile a year. The primary market of the company spans from Miami in the South to Washington, D. C. in the North and to Houston, Texas in the West. All or part of twelve states, plus the District of Columbia are included in the company's market territory.

Gen. Invest. Sells Tobin Craft Stock

Pursuant to an offering circular dated Jan. 7, General Investing Corp., of 55 Broadway, New York City, offered and sold 75,000 shares of class A common stock (par 10 cents) of Tobin Craft, Inc. at \$2 per share.

Tobin Craft, located at 100 Webster Avenue, Yonkers, N. Y., was organized last Fall and is engaged in designing, building, and selling small boats. The proceeds of the offering, estimated at about \$117,000, will be used chiefly for plant relocation, new equipment, construction, and debt reduction.

The corporation states that it has had to turn down business because of limited plant capacity, and intends to raise its production to six boats a week.

Gives Scholarship To Lehigh Univ.

Morris Goldstein, director of research and a partner in Francis I. du Pont & Co., New York City, has established a new scholarship fund with a grant of \$10,000 to Lehigh University. Income from this endowment fund is to be used in support of undergraduate scholarships in the College of Business Administration.

Mr. Goldstein was graduated from Lehigh in 1934 with a degree of Bachelor of Science in business administration.

Norwood to Admit

V. Lee Norwood & Co., 20 Exchange Place, New York City, members of the New York Stock Exchange, on Jan. 14 will admit James A. White to partnership.

Joins Merrill Lynch

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill.—James A. Hume has become affiliated with Merrill Lynch, Pierce, Fenner & Smith Incorporated, Board of Trade Bldg.

SECURITY SALESMAN'S CORNER

BY JOHN DUTTON

Go Over the Records and You May Find Some Good Ideas

There are several reasons why you should keep accurate records of your customer's accounts. Firstly, they depend upon you to inform them regarding the status of securities which they have bought. The only source of this type of information should be you—if a customer ever goes elsewhere to obtain it you may very well have lost the account. The other important reason for keeping accurate records of the securities you have sold to clients is that these records sometimes can be very helpful to you in creating ideas that can lead to additional business. Some capable salesmen find it possible to use even small accounts, or customers that have had one transaction with them, as a source of additional business when the opportunity arises, but they need the records of every account to do so.

When Records Located a New Account

There are often closely held securities that are traded only occasionally in the market. Sometimes small, growing companies have shareholders among their employees who from time to time will buy or sell their stock. Recently many of the smaller electronic companies have had unusual growth and the trading in their securities has been accelerated. Stock dividends and splits have increased the original value of some of these stocks very substantially above their original cost a few years ago.

Several weeks ago one of the small stockholders in such a company offered an odd lot over the telephone and the salesman who happened to receive the call checked the market and obtained a selling order. Rather than offer the few shares to other brokers, he had some time on his hands and he went to his card file and located the names of several employees of this company with whom he had prior trades in the same stock. He telephoned them and those he contacted told him that they did not have available funds for the investment he offered. He finally contacted one employee of this firm who had bought a small amount of stock less than three years ago. Unbeknownst to the salesman the employee had also placed a fairly substantial sum in the shares of the young company by direct purchase from time to time. The stock had been split several times, there were stock dividends and the original investment had multiplied so that it represented a sizable profit over the original cost. When the salesman offered the 35 shares that were available he was informed that this was of no interest to his ex-customer of three years ago, but instead he was thinking of selling a thousand shares and diversifying his holdings with some reinvestments in other securities. The current market value of a thousand shares of this stock is about \$30,000 and the young man's total holdings in the company for which he worked has now grown to over 2,000 shares. This is an unusual case, but without detailed records of purchases and sales, made even on a one-time basis, it would not have been possible to locate the potential business which may be developed with this prospective account.

Reviewing Records Creates Ideas

Another benefit often obtained from taking an inventory of your

past transactions with clients is the creative ideas for additional business that is often generated. There may be a security in someone's portfolio that has been dormant marketwise for a year or more. And it is a certainty that if you can obtain information of interest to your client he will be interested in hearing from you. You never know the end result of service calls such as this. Quite often when you have had only

one or two transactions with an account there is an unrealized potential of available business. If you make your contact on the basis of service to the client, and you present information that can be helpful concerning a security which he holds, this often presents opportunities for further discussion which may lead to additional opportunities for business.

This is also where the law of averages works very well. Contact your dormant accounts, or those who have had one-time trades with you within the period of the last several years. If it is not possible to bring them something specific in the way of information then just expose yourself to business. Quite often there is a much better prospective client waiting for you among these people who at least know of you, and possibly will remember that isolated transaction, than you may suspect.

Monetary Policy's Impact On Local Governments

Continued from page 15

toward a restrictive monetary policy.

A possible explanation for the decline in school bond sales and construction may lie in the fact that the school population has been growing at a declining rate since 1955. Table II shows the growth of the public school population for two-year intervals since 1947 and U. S. Office of Education projections through 1965. Perhaps the present decline in school construction is an example of the accelerator principle in action, with a slowing down in the rate of growth of demand for schools (at least the demand arising from new enrollments) producing an absolute contraction in capital requirements.

A similar set of data for water and sewer bond sales, contract awards and construction put in place, in 1947-1949 dollars¹⁰ indicates that water and sewer projects are relatively insensitive to money costs. The three periods of greatest growth in water and sewer bond sales were 1952 and the first half of 1953, late 1955 and early 1956 and the first half of 1957, all periods of rising interest rates. Water and sewer bond sales did not respond substantially to the easy money conditions of 1954 and the first half of 1958, but tended to level off during those periods. No contra-cyclical tendency is evident in contract awards or construction put in place on water and sewer projects.

The data in 1947-49 dollars for the residual "all other" category show the contra-cyclical behavior of this group is clearly evident.

Tables 3 and 4 present average monthly statistics on state and local government bond sales, contract awards and construction work for certain cyclical phases during the 1952-59 period: the 12 months preceding cyclical peaks the 12 months centered around recession troughs, the first 12 months of expansion and the second 12 months of expansion.

Conclusions

In assessing these findings, two questions of judgment arise. First, is it socially desirable that State and local government capital expenditures fluctuate in a contra-cyclical manner? Second, if it is desirable in principle, has the degree of restraint imposed by monetary policy during boom periods been "excessive"?

¹⁰ Deflated by an unweighted average of the Associated General Contractor's Index and the Engineering News-Record Construction Index. This average index is the one used by the Department of Commerce for deflating water and sewer construction statistics.

To the economists of my generation, who were weaned on the Keynesian orthodoxy, it was once a tenet of faith that, where feasible, public investment should be so planned as to counter the cyclical pattern of private investment. Not only would this contribute toward stabilizing the economy, it was argued, but it would also result in producing public works at lower social costs, with resources that might otherwise have been unemployed.

This view seems to have fewer adherents today. In part, this is probably attributable to the fact that we are now less concerned with problems of economic stability. In part, it probably also reflects a belief that public works programs, because of the time lags involved in getting them into operation, are not efficient stabilization devices.

It has often been noted that economists tend to orient their views toward the most pressing problems of the day. True to form, the mildness and the brevity of the three postwar recessions have tended to direct the attention of economists away from problems of stabilizing the level of output and employment toward problems of allocation and growth. This seems to have affected attitudes toward public investment. There now appears to be greater reluctance to accept the business cycle as the appropriate time span for appraising the allocation of capital between the public and private sectors of the economy. In addition, there appears to be a growing belief that there is something economically, even ethically, wrong if State and local governments are subject to more effective monetary restraint during boom periods than large business corporations. Opinion seems to be moving full circle, from the view that State and local capital expenditures should, where feasible, move contra-cyclically to the view that they should move in a stable course, irrespective of fluctuations in the private economy.

However, to anyone who is still concerned about the problem of economic stabilization, the stabilizing influence of bond sales, contract awards and construction put in place by State and local governments since 1952 should be impressive. Even though State and local governments have been only moderately sensitive to interest costs, their response to changes in monetary policy was of considerable value in helping to make the recessions of 1953-54 and 1957-58 as mild as they were, and in dampening the final stages of the preceding expansion periods. Their actions are exerting

a similar dampening influence at present. In my view, the substantial social value of the contra-cyclical behavior of State and local government bond sales, contract awards and construction work, even though the amplitudes of the fluctuations are small (or perhaps because they are small) should not be lost without compelling reasons or an adequate substitute.

The contra-cyclical planning of public works lost many adherents because of the long time lags experienced in getting nationwide public works programs going. If the recessions of the future are to be of relatively brief duration, a national compensatory public works program which takes 12 to 18 months to get started is of relatively little value. In fact, such a program could turn out to have an unstabilizing influence. The experience of 1952-59, however, suggests that this argument is not applicable to projects originated, directed and carried out at the local level, the kinds of public works programs which monetary policy may affect. In fact, the evidence suggests that the response was sufficiently fast to be of value in helping to bring the economy out of the past two recessions.

Table 4 indicates that between the 12 months ending with the July, 1953 peak and the 12 months centered around the August, 1954 recession trough, State and local government bond sales rose by 50%, contract awards rose by 23% and construction put in place rose by 24%. A similar comparison for the 1957-58 recession shows bond sales rising by 34%, contract

awards rising by 16% and construction put in place rising by 7%. The latter group of percentage gains, although smaller than those in the 1953-54 comparison, are still impressive when it is recognized that the 1957-58 recession was only nine months in duration. Of course, some of the gains shown in these comparisons reflect normal secular growth, but most of the gains, particularly in the bond sales figures, appear to reflect a response to a change in monetary policy.

In my view, the impact of monetary controls on State and local governments since 1952 constitutes a model of what monetary policy should be expected to accomplish. At no time during the period studied did a restrictive monetary policy "throttle" or severely curtail State and local capital projects. Its impact appears to have been limited to roughly the marginal 5% of capital projects, those having a more postponable nature. Projects having high social priorities, such as schools and water sewer projects, appear to have gone ahead largely independent of the state of the monetary market. The contra-cyclical fluctuations of State and local government bond sales, contract awards and construction work, although relatively small in amplitude, have made a substantial contribution to the stabilization of the economy since 1952. The most ardent advocates of a compensatory monetary policy could hardly have hoped for a better performance.

*An address by Mr. Morris before the American Finance Association, Washington, D. C., Dec. 28, 1959.

TABLE III

Monthly Averages of State and Local Government Bond Sales, Construction Contract Awards and Construction Put in Place, In 1947-49 Dollars, for Selected Cyclical Phases, 1952-1959*

	12 Mos. Ending With July '53 Peak	12 Mos. Cent'd Around Aug. '54 Trough	1st 12 Mos. of Expan. Sep. '54-Aug. '55	2nd 12 Mos. of Expan. Sep. '55-Jul. '56	12 Mos. Ending With July '57 Peak	12 Mos. Cent'd Around Apr. '58 Trough	1st 12 Mos. of Expan. Apr. '58-May '59
Total state & local govt.:							
Bond Sales.....	333	498	431	410	370	494	461
Contract Awards.....	394	485	506	542	557	645	647
Construction Work.....	468	581	605	629	666	714	758
Education:							
Bond Sales.....	84	97	87	90	132**	150	132
Contract Awards.....	100	137	135	138	142	143	134
Construction Work.....	109	142	153	154	160	168	163
Water & Sewer:							
Bond Sales.....	38	41	41	48	47**	54	56
Contract Awards.....	45	48	49	64	58	57	57
Construction Work.....	55	61	63	68	73	71	72
All other state & local:							
Bond Sales.....	210	261	303	272	190**	290	273
Contract Awards.....	249	300	322	340	357	445	456
Construction Work.....	304	379	388	407	433	476	523

*Details may not add to totals due to rounding. The data sources for the bond sales statistics are the following: The Bond Buyer for the aggregate sales statistics for the period 1952 through June 1956; The Federal Reserve Board of Governors for school and water and sewer bond sales for the period 1952-56; the Investment Bankers Association of America for all bond sales statistics from July 1956 to date. The contract award and construction put in place data are from the following Department of Commerce Publications: Construction Volume and Costs, 1915-1956; Volume of New Construction Put in Place, 1945-1958; and various issues of Construction Review. The following price indexes were used for converting the data to 1947-49 prices: The Department of Commerce Index for all public construction was used for the aggregate figures; the E. H. Boeckh and Associates Index for apartments, hotels and office buildings was used for schools; and an unweighted average of the Associated General Contractors Index and the Engineering News-Record Index was used for water and sewer.

**Not strictly comparable with figures for earlier periods because of the broader coverage of the I.B.A. series. During the last half of 1956, the I.B.A. series on education bond sales was 15% higher than the F.R.B. series, and the I.B.A. series on water and sewer bonds was 24% higher than the F.R.B. series. The differences reflect bond issues of less than \$500,000 which were not covered in the F.R.B. series.

TABLE IV

Monthly Averages of State and Local Government Bond Sales, Construction Contract Awards and Construction Put in Place, In 1947-49 Dollars, for Selected Cyclical Phases, 1952-59*

	12 Mos. Ending With July '53 Peak	12 Mos. Cent'd Around Aug. '54 Trough	1st 12 Mos. of Expan. Sep. '54-Aug. '55	2nd 12 Mos. of Expan. Sep. '55-Jul. '56	12 Mos. Ending With July '57 Peak	12 Mos. Cent'd Around Apr. '58 Trough	1st 12 Mos. of Expan. Apr. '58-May '59
Total state & local govt.:							
Bond Sales.....	+50	-13	-5	-10	+34	-7	
Contract Awards.....	+23	+4	+7	+3	+16	+1	
Construction Work.....	+24	+4	+4	+6	+7	+6	
Education:							
Bond Sales.....	+15	-10	+3	**	+14	-12	
Contract Awards.....	+37	-1	+2	+3	+1	-6	
Construction Work.....	+30	+8	+1	+4	+5	-3	
Water & Sewer:							
Bond Sales.....	+8	0	+17	**	+15	+4	
Contract Awards.....	+7	+2	+31	-9	-2	0	
Construction Work.....	+11	+3	+8	+7	-3	+1	
All other state & local:							
Bond Sales.....	+72	-16	-10	**	+53	-6	
Contract Awards.....	+20	+7	+6	+5	+25	+2	
Construction Work.....	+25	+2	+5	+6	+10	+10	

*Based on dollar amounts shown in Table 3.

**Not strictly comparable with figures for earlier periods because of the broader coverage of the I.B.A. series. During the last half of 1956, the I.B.A. series on education bond sales was 15% higher than the F.R.B. series, and the I.B.A. series on water and sewer bonds was 24% higher than the F.R.B. series. The differences reflect bond issues of less than \$500,000 which were not covered in the F.R.B. series.

MUTUAL FUNDS

BY ROBERT E. RICH

Is Everything Clear?

"Never before so much advice and never so much confusion," is the way one mutual fund manager describes the marketplace. Themselves feeling in no small measure the confusion of counsels, investment companies, nevertheless, are likely to be major beneficiaries of the basic uncertainties that nag the individual investor. The old cliché about "playing the market is a full-time job" never rang more true than in the fading days of the 1950s and here at the onset of the 1960s.

As one who sounds out dozens of brokers each week, this writer can attest that most brokers admit they are confused. Typical is the broker who said around the Thanksgiving holiday that December—the month ahead—would witness an upsurge in the market, climaxed by a year-end rally of large proportions. Well, historically, December is a better month for bulls than any of the other 11, but it didn't work that way in 1959.

There was another school of thought among brokers that held there was nothing wrong with the market that a settlement of the steel dispute would not cure. The settlement came as a New Year's present and there was a brief flurry in stocks—notably steels. "Inflation!" was the facile answer. Not too many hours later President Eisenhower was expressing a hope that there would be no rise in steel prices and forecasting a \$4.2 billion surplus in next year's budget. "Deflation!" was the cry and a lot of brokers and their customers moved into the bond market.

On top of all this, the halo of many a glamour stock has slipped off late; the oil stocks come to life for a day and then die; the railroads are brushed off for two days and then they die, and the overall aspect is of the inability of the market to mount a sustained drive in any one group of stocks.

It's not just brokers—there's enough confusion to cover the whole community. And there's enough advice too. It comes from all sides and tells us where the Gross National Product will be in 1970, how many cars we'll be turning out 10 years hence, measures the size of the labor force and gauges the worth of the dollar. The nice thing for the practitioners of that kind of exercise, of course, is that it does not involve day-to-day judgments and skirts the specifics that mean something to the investment community.

The confusion of the marketplace merely mirrors the rapidly changing times in which we live. Surely, the men who engaged in 1949 in one of those decade-long projections could not foresee the Korean War, from which Communist-ruled China emerged as a major power. Nor could the pundits foretell that after being around 100,000 years, Man would break out of his environment. They couldn't even envisage the advent of a Republican Administration that would prove more New Deal-ish than the Democrats.

Nor, for that matter, were they able to foretell that early in the decade there would be uranium fever, to be succeeded late in the decade by the electronics frenzy.

Managers of investment portfolios, most of whom have hung up an enviable record in years gone by, must feel a pardonable pride in the results. The general public has not been unaware of the achievements. How else explain investor purchases in 1959 of some \$2.3 billion, a rise of nearly 50% from 1958? The individual investor—butcher, baker or candlestick maker—may not understand all the forces at work in the marketplace, but he has shown a steadily increasing awareness that the lot of the amateur, operating by guess and by gosh, tip and rumor, hunch and fear, is not an easy one.

If there is one constant that has not changed and is not likely to change, it is the odds that favor the professional over the amateur. This recognition by an increasing number of amateurs goes a long way to explain the popularity of top-flight investment company management.

The Funds Report

The **Parker Corporation**, manager of Incorporated Investors and Incorporated Income Fund, has announced establishment of a transfer privilege for shares held by stockholders in either of the two funds. The transfer plan, which is available only by means of the official prospectus, permits exchange in whole or in part of shares held in one fund for shares of the other at net asset value. The only proviso is that shares surrendered in the exchange must have been outstanding for at least one year. There is a \$5 service charge to cover bookkeeping and other costs.

In a letter announcing the exchange plan to dealers, Parker cited the flexibility it would offer investors in the two funds. "Investment objectives of stockholders do change," the letter stated. "An investor who has built capital in Incorporated Investors may wish to transfer into Incorporated Income Fund, or an investor in Incorporated Income Fund may find he wants at least

part of his capital in Incorporated Investors."

Total net assets of **General Investors Trust** passed the \$10,000,000 mark for an increase of 71% during the 1959 fiscal year. The Boston-based income fund had net assets of \$10,003,707 on Dec. 31, compared with \$5,853,907 on the same date a year earlier.

Lazard Fund net asset value a share in 1959 rose from \$15.91 to \$17.47, a gain of 6.7%, the company reported. In a statement on its first full calendar year of operation, Lazard said its assets were 89% invested in equities at the end of 1959. The balance was in cash and short-term obligations.

Record gains in annual, semi-annual and quarterly volume, resulting in new highs in all sales categories, were reported by **Investors Planning Corp of America**. The retail firm disclosed that business written in 1959 totaled \$144,560,000, bettering by 75.2% the previous year high of \$82,508,000. Second-half volume

came to \$75,960,000, 10.7% above the record first-half total, and 66.4% greater than that of the last six months of 1958. The company ended the year with fourth-period sales of \$44,725,000, to top the previous high, set during the 1959 second quarter, by 21.2%.

The fourth quarter total amounted to a 58.8% increase over business written during the like 1958 period. At year-end it had 84,600 contractual plans in force, up over 46% during the 12 months.

Francis M. Simon has been named associate editor and chief tax consultant of the **Financial Planning Workbook** and related **Kalb, Voorhis** editorial services for the mutual fund industry.

Semi-annual report of Scudder Fund of Canada Ltd. for the period ended Nov. 30 shows total net assets of \$56,426,598 (Canadian dollars), equal to \$12.58 (U. S. dollars) per share on 4,723,154 outstanding shares. **Hardwick Stires**, president, said this compared with \$59,687,963 or \$12.30 a share on 5,024,499 shares on Nov. 30, 1958. On Dec. 16, 1959 net assets were equal to \$13.01 a share. The fund's holdings of common stocks on Nov. 30, 1959 had a value of \$52,795,544, equal to 93.6% of net assets. Among the largest group holdings of common stocks were: steels, \$9,476,275 or 16.8% of net assets; petroleum and natural gas, \$8,951,507 or 15.9%; paper, \$5,784,465 or 10.3%; public utility, \$5,556,625 or 9.9%; pipe lines, \$3,932,500 or 7%; banking and finance, \$3,929,500 or 6.9%; electrical equipment, \$3,499,981 or 6.2%; metals and mining, \$3,474,788 or 6.2%.

Value Line Special Situations Fund reports that at the close of 1959 total assets were \$10,255,140, equal to \$4.08 on each of the 2,515,113 shares. This compares with \$8,774,004, \$3.40 a share and 2,583,113 shares at the end of 1958.

Value Line Income Fund reports that at the end of 1959 total assets amounted to \$86,291,091 and asset value was \$5.55 a share on each of the 15,535,489 shares. This compares with total assets of \$87,980,888 and \$5.65 on each of the 15,573,177 shares outstanding at the close of 1958.

Value Line Fund reports total assets at the end of last year were \$9,281,302 with asset value per share of \$7.13 on the 1,301,234 shares outstanding, against \$9,607,397, \$6.94 a share and 1,383,817 shares at the end of 1958.

Diversified Investment Fund, Inc., a balanced fund, reports total net assets of \$93,253,155 on Nov. 30, the end of its fiscal year. This compares with \$89,251,292 on the same date in 1958. Net asset value per share on Nov. 30, 1959 was \$8.89, after deducting a capital gain distribution of 31 cents per share declared on the same day. The 1958 year-end value per share was \$8.90. According to the annual report, bond holdings were materially reduced during the year and the proceeds were invested in common stocks, mainly in the paper, steel and automobile industries. Currently, 70.3% of assets is invested in

common stocks, against 63.5% a year ago. In the six months since the fund's semi-annual report, new bonds added to the portfolio included **Long Island Lighting Co.**, first 5¼s, 1989 and **Tennessee Gas Transmission Co.**, first 5¼s, 1979. Added to the common stock section were **Armco Steel Federal Paper Board** and **United Artists**.

Incorporated Investors realized net gains of approximately 70¢ per share on sale of portfolio securities. Directors plan to vote on Jan. 20 the distribution of substantially all of these gains to stockholders of record on that same date. Payment will be made February 16 in stock or cash at the stockholder's option. This payment is expected to amount to over \$23,000,000.

Keystone Income Common Stock Fund S-2 increased 9% in net asset value per share for the fiscal year ended Nov. 30. **Keystone S-2**, with total assets of \$85,746,298, is the largest of **Keystone's** 10 domestic funds with aggregate assets of close to \$500 million. **Keystone S-2** paid 42 cents in regular distribution from net investment income and a special distribution of \$1.10 per share from net long-term capital gains. Net asset value per share was \$11.70 at the end of the fiscal year, not including the special distribution. Since that time the value has risen to \$11.87. The portfolio had 56 issues in 17 industries, with utilities (11.2%) the only group over 10% of the total assets. Automotive holdings were built to 9.9% during the last six months with the addition of 30,000 shares of **Electric Storage Battery Co.** and increases in **Dana Corp.** and **Eaton Manufacturing Co.**

Total net assets of **Investors Selective Fund, Inc.**, sponsored and managed by **Investors Diversified Services, Inc.**, increased from \$24,611,831 on Nov. 30, 1958, to a new year-end high of \$25,912,654, on Nov. 30, 1959. Dividends from net investment income amounted to 47½ cents per share compared with 47 cents per share in the preceding year, and were the highest ever paid by the fund. Realized capital gains of 6 cents per share were distributed at the year-end, whereas no such distribution was made last year. Net asset value per share was \$9.75 on Nov. 30, 1959 after payment of the capital gains distribution. Including the capital gains distribution, year-end share value was equivalent to \$9.81 compared with \$9.84 at the end of the preceding year. Number of shares outstanding increased during the year to 2,656,599 from 2,501,758 at the close of fiscal 1958.

General American Investors Company, Inc., stated that as of Dec. 31 net assets were \$59,849,943. The decrease for the year in the net assets, after payment of \$4,669,248 in dividends and \$716,587 for preferred stock purchased for retirement, was \$9,168,474. Net assets, after deducting \$4,363,000 preferred stock, were equal to \$30.52 per share of common stock on the 1,818,147

Plymouth Bond Offers Fla. Ins. Stk.

Plymouth Bond & Share Corp., of Miami, Fla., has publicly offered 203,476 shares of common stock of the **Life Insurance Co. of Florida** (also based in Miami) at \$4.50 per share.

The company is engaged in the business of writing ordinary life and industrial life, health, accident and surgical insurance. It now has outstanding 246,424 common shares. Net proceeds of the sale of additional stock will be added to the company's general funds to permit it to expand its business through the enlargement of its agency funds and territory, or through acquisition of insurance from other insurance companies.

Murray Frumin at Morrison Inv. Secs.

DETROIT, Mich. — **Murray Frumin** has become associated as a registered representative with **Morrison Investment Securities in the Penobscot Building**. Mr. Frumin was formerly Vice-President of **Moreland & Co.**

THE DOMINICK FUND, INC.

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Dividends Number 142 & 143

QUARTERLY DIVIDEND

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SPECIAL CAPITAL GAIN DIVIDEND

85¢ per share

Both dividends are payable February 10, 1960 to stockholders of record January 22, 1960. Stockholders may elect to receive the Special Capital Gain Dividend either in stock, taken at average market price on February 1, 1960, or in cash. No fractional shares will be issued. Stockholders may request the transfer agent to purchase for their account any fractions necessary to round out their dividend to a full share.

JOSEPH S. STOUT
Vice President and Secretary

THE LAZARD FUND, INC.

Annual Report

as of December 31, 1959

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A Balanced Investment Fund

The Company invests in a portfolio balanced between bonds and preferred stocks selected for stability, and common stocks selected for growth possibilities.

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PUBLIC UTILITY SECURITIES BY OWEN ELY

Gulf States Utilities Company

Gulf States Utilities, one of the southern "growth utilities," serves a population of about 950,000 in southeastern Texas and south-central Louisiana, including the cities of Port Arthur, Beaumont, Baton Rouge and Lake Charles. About 86% of revenues are derived from sales of electricity, 5% from gas and 9% from steam products. Steam electric service is provided for several large corporations—Ethyl Corp., Esso Standard Oil, and U. S. Rubber. Louisiana business contributes about 57% of revenues and Texas 43%. A breakdown of electric sales is about 40% residential and rural, commercial 27%, industrial 28%, and miscellaneous 5%.

Agricultural activities include the growing of rice, cotton and sugar cane as well as cattle-raising. Oil production and refining, and pipe line pumping, have become increasingly important. Manufacturers include chemicals, synthetic rubber and salt products. There has been a tremendous industrial expansion in the Gulf Coast area since World War II, especially in petrochemicals. As the company states, "The abundance of oil and gas, salt, sulphur and lime, a good fresh-water supply, a pool of skilled labor, available deep-water transportation and an adequate supply of electric power at attractive rates, have presented a combination of inducements for the petrochemical industry we believe not equalled anywhere else in the world. Practically every national chemical company has expanded its existing plants in this area or established a new plant within the last ten years. Each such major addition attracts satellite plants and industries. Our organization is constantly in touch with the headquarters of these large companies so that we may not only keep abreast of the ever-increasing demand for electricity to power this expanding economy, but also use every possible care to avoid over-expansion."

The company's peak load has more than doubled since 1953 and is expected to increase from about 1.1 million kw in 1959 to nearly 1.7 million kw in 1963, an average compounded rate of gain of nearly 12% per annum. The increase in generating capacity failed to keep up with load growth in 1958, when the company had to purchase 29,000 kw from adjacent utilities. During the five years 1954-58 only about 213,000 kw was placed in operation but last year three 111,000 kw units were added, two of which had been delayed by labor difficulties and technical problems. A 162,000 kw unit at the Willow Glen Station is expected to go in service in 1960 and a second unit of 220,000 kw is scheduled for 1963. Land has been contracted for to build a new large station in Bridge City, Texas, between Port Arthur and Orange; the first unit in this plant is scheduled for operation in 1963.

It appears likely that over 1,300,000 kw capacity will be installed during the five years 1959-1964 inclusive. Presumably the company plans to build up a fair-sized reserve of generating capacity in addition to taking care of the rapid growth in output. Construction expenditures have been forecast at about \$58 million for 1959, \$53 million for 1960, \$46 million in 1961 and \$52 million in 1962 (1963 might be considerably larger).

In 1958, to finance some \$52 million construction, the company sold \$38 million in bonds, preferred and common stock. In 1959

the program was virtually repeated, some \$36 million being raised by three-way financing; 250,000 shares of common stock were sold in May. Common stock offerings had previously been made in each year of the past decade except in 1954-55. The equity ratio as of Oct. 31, 1959 was 33%.

The company's earnings record in the first half of the past decade were somewhat disappointing, remaining around the 72 cents level during 1948-52. In the following year with the help of rate increases earnings advanced to 93 cents, but later about 70% of these increases were lost in various rate reductions. Because of this factor share earnings rose rather slowly to \$1.28 in 1958, but for 1959 a better showing is indicated with estimated earnings of \$1.38. (The above figures have been adjusted for split-ups.)

There has been some concern about rising fuel costs in the south due to the steady increase in the field cost of gas. However, during 1958 fuel clauses designed to recover all increases in fuel cost were added to all Texas rate

schedules which did not already contain such clauses. Similar adjustments in Louisiana rates were granted by the Louisiana Public Service Commission, effective March 1, 1959.

The company has offered to pay an increased street rental payment to each city in Texas which would grant it a new 50-year franchise and at the end of 1958, 27 out of 34 cities had accepted this offer. The larger cities where city charter changes are necessary, still had the proposal under consideration.

In 1958 earnings were stimulated by a large amount of interest charged to construction (nearly three times the 1957 figure); and in 1959 some further increase in the credit is indicated by the figures for the 12 months ended Nov. 30. It appears likely that the interest credit will drop rather sharply in 1960, but recover some of the lost ground in 1961-62. Because of the loss of an estimated 15-20 cents in 1960 due to this factor, it appears likely that earnings may not show much gain over the 1959 results. However, it appears likely that the upward trend will be resumed in 1961-62.

The dividend rate (after adjustment for split-ups) has increased from 42 cents in 1948 to the current rate of \$1.00. Thirty-six per cent dividend payments in 1959 was "tax-free," it is estimated, compared with 27% in 1958.

The stock has been selling recently around 31, to yield 3.2%. The price-earnings ratio approximates 22.5 compared with the industry average around 16.7.

What's Ahead for Business And the Stock Market?

Continued from page 1

rations in 1960, possibly not quite as great an increase as in 1959, but at least 5%.

In connection with the foregoing forecast it should be emphasized that the earning power of business is in the long run to a great degree dependent upon inventiveness—the ability to find new avenues for the investment of retained earnings—and upon the shelter from competition which inventiveness affords. The vastly accelerated research expenditures of recent years suggest that inventiveness will continue high. In the matter of competition we hear a great deal these days about competition from abroad, but much of it comes in areas in which our own industrialists have elected not to compete. The compact automobile and certain categories of steel products, such as wire fencing, etc., provide conspicuous examples of this.

I think we can thus summarize the general question of the quality of stocks by saying that it will be the highest ever in 1960 with respect to cash flows, reported earnings and dividend-paying capabilities.

Stock Supply to Be Enlarged

Turning now to the matter of supply and demand for stocks, the situation is somewhat less favorable. If corporations are to increase expenditures for capital goods, which pressure on ability to produce plus incentives for increasing efficiency resulting from rising wage costs make almost certain, then the supply of securities newly created to finance this expansion seems likely to increase. The issuance of new corporate securities was at a low level in 1959—something like \$9 billion—and an increase in new-money offerings to possibly \$12 billion seems a real possibility in 1960. It can be assumed that of the \$3 billion increase in new securities to be offered, the major

part will, as in the past, be in bonds. However, the proportion of stocks to bonds seems likely to increase as the result of changes in the relationships between bond and stock yields, which will make the sale of stocks somewhat more attractive to issuers than in the recent past. On the demand side, the ability of mutual funds to buy stocks seems likely to increase further, and these funds bought more than \$700,000,000 in 1959. Moreover, pension funds seem likely to increase their stock purchases, although at a somewhat slower rate, and the ability of foreigners to buy our securities will have improved. In addition, the number of stockholders in this country continues to increase, and the flow of personal savings in 1960, in the absence of major strikes, seems sure to grow.

Importantly influencing overall supply-demand relationships will be the matter of interest rates. It seems probable that before the year is out the Federal Government will again be a heavy seller of long-term bonds as the result of a probable ending of the present Congressional limitation of 4¼%. Moreover, as noted above, industry will be in the market for new money to a greater extent in 1960 than in 1959, and the financial needs of states and municipalities will continue to rise. Thus, higher interest rates than those now prevailing are in store; this circumstance is apt to have a perceptible tempering effect on the market, especially for gilt-edged securities.

More Inflation Ahead

Let us now consider the most important price-making factor of all, which is the expectations of security buyers and holders. The main factor in this category that has deflected buyers away from bonds and toward stocks has been inflationary expectations, and there seems no reason at present for investors to modify these expectations. In the area of labor, the mere threat of a transit strike

in New York City was sufficient to elicit wage concessions which in time are sure to doom the 15¢ fare. The settlement of the steel strike, which will set the pattern for all industry, assures an eventual new round of price increases throughout manufacturing, and in an election year Congress may well choose to up the minimum wage by 25%, which will, in due course, affect all wages and prices. Moreover, increasing government expenditures of all kinds sooner or later find their way into the price level. Thus, inflationary expectations seem likely to persist.

As a practical matter, a holder of stocks gets not only his current yield, which at the present time is between 3% and 4%, but, in addition, he gets the benefit of retained earnings amounting to another 3% or 4% and these earnings are compounded at a satisfactory rate. Further, he can probably expect an additional modest increment for inflation at the average post-war rate of about 1¼%. On the other hand, the return of the bondholder, even the tax-free bondholder, is diminished by the inflationary increment. Thus, even with long-term interest rates approaching 6%, there will still remain a satisfactory incentive for long-term buyers to favor stocks.

Turning from inflationary expectations to political expectations, the forthcoming election contains a hazard. Investors have long memories, and, just as they have not forgotten the events of 1929, they have not forgotten the atmosphere in government inimical to business that prevailed until the early 1950s. While the general temper of the population at large seems steadily to be becoming more conservative and more capitalistic, the mere possibility of a group coming into power which, it is felt, may act unwisely in economic matters will provide a tempering influence on stock prices.

With respect to expectations concerning business, these seem likely to be high all year. Not only should retail trade of all kinds be excellent, but the order books of manufacturers of capital goods can be expected to expand, thus giving good assurance of a satisfactory rate of activity in 1961. Therefore, the morale of stockholders and industrial managements should remain high.

Summarizing all of the foregoing factors, a moderate advance in stock prices in 1960 seems probable, although the gain seems likely to be considerably less than the 15% or so by which prices rose in 1959. A general observation of this kind, however, is only of value to a security buyer if it is backed up with specific suggestions, so let us now proceed to develop some practical ideas:

Specific Stock Recommendations

Possibly the surest thing about 1960 is that capital goods activity will enjoy a strong rising trend. Steel will be in strong demand and steel companies will not only report record earnings, but will increase their dividends. This outlook seems not yet to have been fully discounted, and buyers of such issues as U. S. Steel, Republic, Jones & Laughlin, and the highly leveraged Kaiser Steel should fare well. Makers of heavy equipment for the steel industry and makers of electrical equipment also should have an excellent year. Koppers Co., General Electric and McGraw-Edison provide varied aspects of participation in heavy industry. Also in the capital goods group are a number of companies of smaller size which should be able to increase earnings markedly; these include Blaw-Knox, Crane, Chemetron, Harris Intertype and Mergenthaler.

A group which dropped in 1959, but nevertheless made fundamental progress in adjusting itself

to changed conditions, was the oils. Texaco, Phillips, Shell and Skelly should be able to make good progress in 1960. The competition of oil and natural gas with coal seems now to have reached its peak, and from this time on coal securities should benefit from growth in their remaining markets, i. e., coal for metallurgical purposes and coal used in the generation of electricity. Pittston Co. and Peabody Coal are good representatives in this field.

Possible Bargains in Building Equities

In 1960 the building group seems likely to be unpopular, as it was in the latter half of 1959, due to the publicity accorded to the declining rate of construction of new dwellings. However, increasing population pressures mean the overall trend of construction in this country will remain strongly upward, and weakness in the group should provide excellent opportunities to pick up bargains. Georgia Pacific with its unusual tax situation, National Gypsum and, in the low-priced category, United Asbestos are stocks in this group to watch closely. In this connection, the biggest outlet for aluminum is in the building industry. Aluminum stocks have been marking time for several years, and this year should witness much improved performance for all of the major aluminum stocks, of which Kaiser Aluminum may be in a position to perform the best.

A growing shortage of lendable funds, and consequent stiffening interest rates, should spell improved earnings for many companies in the financial category. Not only the leading banks, especially New York City banks, but also such wholesalers and retailers of credit as CIT and Heller should do well. For the latter increased volume should more than offset the rising cost of borrowed money. Insurance companies of all sorts should have an excellent year marketwise, including not only the life insurers, which have been in the doldrums since 1955, but also the property and casualty insurers. Connecticut General, Aetna Life, Continental Casualty, Continental Insurance and Insurance Co. of North America all provide excellent value at present prices.

The "Glamor Category"

We alluded earlier to the importance of research and invention in our modern economy. In this glamor category the electronics companies turned in an excellent performance last year, and the companies engaged in the exploitation of photography and the application of electronic techniques to business were not far behind. Eastman Kodak, IBM and Bell & Howell are obvious leaders in this area, but at the opposite end of the scale of quality are a number of smaller companies which are doing well in developing the electronic and inventive aspects of their business. Emerson Electric, Northrop, Ryan Aeronautical, Sperry and Philco come in this category.

The matter of research can't be dismissed without a look at chemicals and drugs. Du Pont and Union Carbide should make strong earnings strides this year. American Cyanamid, Olin Mathieson, G. D. Searle, Allied Laboratories and Johnson & Johnson are all growing companies with important interests in this field.

Finally, we should consider a great source of capital gains—management changes—and this brings us a widely assorted group of names. Crane, for example, mentioned above, seems by no means to have yet attained its full earning capability under new management, and the same observation applies to Crown Cork & Seal. Smith Corona is in the first phases of reorganizing its business under a strengthened management team. International Tel. & Tel. has

The Security I Like Best

Continued from page 2

tion into digital form. A single instrument can provide as many as 90 contacting segments, each of which will send out digital information for appropriate processing by recording, controlling, or indicating devices or mechanisms. Typical applications include telemetering, testing, automatic grading and selective digital counting. Particularly outstanding is the economy to the user — standardized instruments providing up to 30 contacting points, carry price tags of \$90 and less, and custom designed instruments providing as many as 90 contact or relay points are available for less than \$200.

Maintenance of consistently high profit margins largely reflects the benefits accruing from a concentration on proprietary products resulting from the company's own research and development efforts. Also important are the economies derived from a traditional emphasis on the use of the most modern and advanced production equipment and methods. A typical example is the use of a complete IBM accounting system which provides management with monthly sales analysis by region and product, and facilitates close inventory control. Also important in the profit picture is the overall integration of manufacturing operations—A. P. I. operates its own metal working, plating, and finishing facilities. The company also does its own dial printing and makes printed circuits for its own requirements.

A. P. I. enjoys an exceptionally

broad sales base reflecting the increasing emphasis on automation throughout all industry and the adaptability of its proprietary products as both direct controls for simple systems and as critical elements or building block components for more complex control systems. The company's customer list runs into the thousands and includes almost every manufacturing and research organization of any size throughout the country. Principal customers include:

Aerojet General Corp.
Bendix Aviation Corporation.
Burroughs Corporation.
Convair.
Douglas Aircraft.
General Electric Company.
General Motors Corporation.
Hughes Aircraft Company.
International Business Machines Corporation.
Litton Industries.
Motorola, Inc.
Radio Corporation of America.
Raytheon Manufacturing Co.
Sandia Corporation.
Stromberg Carlson.
Texas Instrument.
Thompson-Ramo-Wooldridge, Inc.
Tung Sol Electric Co.
Union Carbide Nuclear Corporation.
Westinghouse Electric Corporation.

The Dec. 31, 1958 balance sheet showed current assets at \$830,002 as against \$323,635 in current liabilities, giving a current ratio of 2.6-to-1. Capitalization, reflecting the 200% stock dividend paid earlier this year, is comprised simply of 434,235 shares of outstanding common. An additional 27,600 shares are under option to key employees.

A 5% stock dividend was declared Dec. 15, 1959, payable Jan. 5, 1960.

BANK AND INSURANCE STOCKS

BY LEO I. BURRINGTON

This Week — Insurance Stocks

Incomplete reports thus far on 1959 underwriting results continue to support the generally accepted viewpoint that a gradual recovery for fire and casualty companies from the several consecutive years of poor experience is underway. Insurance company managements have been moved to effect policy adjustments during this prolonged loss cycle which has plagued the industry. Long established merchandising policies have appeared inadequate in the face of new competition invading the insurance market. In many cases relief through increased rates has been slow and inadequate; regulation by existing State procedures has come under investigation.

The industry was shaken by excessive losses across the board in the many lines of coverage written and by such occurrences in the same year. Managements now are attempting to meet the uncovered inadequacies of formerly accepted

diversification. This realization has accelerated the trend toward entrance into the more reliable life underwriting fields in order to develop "all line" operations.

Among the leading multiple line insurance companies tabulated, only Maryland Casualty Co., Merchants Fire Assurance Corp. of New York, Ohio Casualty Insurance Co., and Western Casualty & Surety Co. remain outside the life insurance field. Great American Insurance Co. has begun 1960 with the announcement it has organized a new wholly owned subsidiary, Great American Life Insurance Co.

The trend toward greater diversification for profitable growth may develop further in other lines as well. Characteristic of any innovation on the horizon, negative actions against "threats to the status quo" are showing up to ward off the next step, although probably a distant one, the sale

High Quality Insurance Stocks With Superior Growth Records

	1950-60 Bid Price Range	Recent Price	Indic. Divid.	Yield	Underwriting Profit Margin Ave. 5 Years
Aetna Cas. & Surety Co.	210-164	210	\$2.40	1.1%	2.89%
Continental Cas. Co.	72-55	72	1.20	1.7	3.56
Federal Insurance Co.	69-58	59	1.00	1.7	8.42
Govt. Employees Ins. Co.	131-101	131	1.10	0.8	19.07
Hartford Fire Ins. Co.	207-168	203	4.40	2.1	2.90
Ins. Co. of N. America	148-115	134	3.00	2.3	2.69
Maryland Casualty Co.	43-31	38	1.50	4.1	1.91
Merchants Fire Assur. Corp.	42-29	33	1.20	3.6	0.00
Ohio Casualty Ins. Co.	34-24	28	0.64	2.3	6.78
St. Paul F. & M. Ins. Co.	61-52	53	1.30	2.5	3.27
U. S. Fidelity & Guaranty Co.	42-29	35	1.00	2.9	1.38
Western Cas. & Surety Co.	47-35	43	1.40	3.3	3.94

*In effect a 4 for 1 split is pending.

of mutual funds. Of course, Nationwide Corp. already has taken this step. Once an organized and efficient distribution force is reaching the public in effectively servicing its insurance needs, additional savings held by that public logically could be tapped for equity investment.

Getting back to 1960, the brighter outlook for insurance stocks is supported by such factors as increased application of higher rates, improvements in expense control, and stepped-up growth in investment income from higher interest rates and increased dividends.

Insurance Stocks for Long-Term Investment

An investor usually is attracted to multiple line insurance stocks either to profit from sizable cyclical fluctuations more characteristic of lower quality stocks or to profit from longer term investment in the high quality stocks with demonstrated and anticipated superior growth. In general the insurance industry can be expected to enjoy continued secular though cyclical growth by giving due recognition to the coverage of insurable risks as a necessary factor in modern economic living. Overall, above average growth is sustained by the ever rising standards of living.

For the investor inclined toward long-term investment, equities of those insurance companies known for their ability to earn above average profits on rapidly increasing new premium volume hold the greatest potential. This inflow of premium dollars supplies available funds which can be readily invested for enhancing income. The policy of retaining a sizable percentage of earnings provides the potential for growth.

Largely responsible for favorable appreciation performances of insurance stocks is this cumulative growth effect of earnings retained to ensure stability and future expansion. Although the quality stocks may appear high priced in the market relative to the more cyclical issues, the

evaluation is one based on outlook for profits and growth, rather than seeking depressed bargains for recovery prospects.

The accompanying selection of stocks is considered representative of those issues with strong growth in premiums written, in sustained profit margins, in rising book values, in profitable diversification, in successful investment returns, and in frequent dividend increases, though the latter represent smaller percentage payouts of earnings. Timing of commitments in this group still calls for conscientious effort, but the timing need not be pin-pointed to as great a degree to obtain profitable returns.

Our Annual Comparison

New York City Bank Earnings

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\$100 Million Issue of California Bonds Offered by Nationwide Group

A Bank of America N. T. & S. A. underwriting syndicate merged on Jan. 13 with a Bankers Trust Company syndicate to purchase \$100,000,000 State of California state construction bonds and veterans bonds. The merged syndicate is managed by Bank of America with Bankers Trust Co. acting as joint manager. Major members of the merged syndicate included Chase Manhattan Bank, First National City Bank of New York, First National Bank of Chicago, and Morgan Guaranty Trust Company of New York.

For the \$50 million state construction bonds, the merged syndicate paid a premium of \$49,159 for a combination of 5%, 4½%, 3¾% and 4% bonds. The net interest cost to the state was 4.018%. The dollar price was 100.098. For the \$50 million veterans bonds, the merged syndicate paid a premium of \$349 for a combination of 5%, 4½%, 3¾% and 4% bonds. The net interest cost to the state was 4.019%. The dollar price was 100.001. Both issues were re-offered to investors to yield from 3% to a dollar price of par on the 4% bonds, according to maturity June 1, 1961-1985 on the construction bonds and Oct. 1, 1961-1985 on the veterans bonds.

The state construction bonds just sold Jan. 13 were the third offering from authorizations totaling \$400 million approved by voters in 1955 and in 1958. Among the major construction projects for which the funds were voted are a \$118 million program of the Department of Education to develop state colleges. The authorization also provides more than \$75 million for the University of California, more than \$50 million for the Department of Corrections and the Youth Authority, and more than \$16 million for the Department of Mental Hygiene.

Plans called for expenditure of \$47 million in fiscal 1957-1958, \$101 million in fiscal 1958-1959, and \$75 million in fiscal 1959-1960. A fourth sale of \$50 million is scheduled for later this year.

The veterans bonds sold Jan. 13 were the second offering from a \$300 million issue approved by voters in 1958. Up to Oct. 31, 1959, the state had made more than 153,000 home loans and more than 2,000 farm loans to veterans of World War I, World War II and the Korean War. Of these, 48,750 have been repaid in full. The total amount of funds loaned since the program was inaugurated is approximately \$1,350,075,000. The amount of veterans bonds outstanding in November, 1959 was \$990,900,000.

Bank of America N. T. & S. A. and the underwriting syndicates it manages, through successful competitive bidding, provide an assured source of funds for public projects and improvements required by California's expanding economy. In 1959, Bank of America underwriting syndicates bought more than \$557 million of California state and municipal bonds.

New Cavanaugh, Tanner

PHOENIX, Ariz.—The firm name of Frank Charles Beck & Associates, 411 North Central, has been changed to Cavanaugh, Tanner & Beck, Inc.

Form Standard Secs.

LOS ANGELES, Calif.—Standard Securities Corporation is engaging in a securities business from offices at 7805 Sunset Boulevard. Officers are James L. Fallon, President; Thomas E. Dougherty, Executive Vice-President; James E. Ryan and Art Baker, Vice-Presidents; and Herbert H. Meyer, Secretary-Treasurer.

added new management strength and operates in a number of major areas.

We've now reviewed the most important price-shaping influences that seem likely to be at work in the stock market in 1960, and we've related these to a number of specific suggestions. We should not forget, however, that the basic justification for any investment in such a potentially dangerous medium as common stocks is the essential soundness of our country. We must be thankful that our people are willing to make the sacrifices necessary to assure the military strength that assures peace, that they understand that the greatest guarantee of personal freedom is the right to own property, and that these circumstances imply social stability.

*An address at Luncheon Forum of the Harmonie Club, New York City, Jan. 6, 1960.

Johnson Lane Space Offers Ga. Shoe

The Johnson, Lane, Space Corporation is offering today 70,000 shares of Georgia Shoe Manufacturing Company, Inc. common stock at a price of \$4.25 per share. The offering marks the first public sale of the company's common stock.

Of the 70,000 shares offered, 30,000 shares are being sold for the account of the company and 40,000 shares for the accounts of Sam L. Perling, Chairman of the Board, and G. W. Bailey, President of the company.

Net proceeds from the sale of its 30,000 shares of common stock will initially be added to the company's general funds to be available for working capital requirements, including financing accounts receivable, purchasing inventory, paying current debts and obligations, and for other corporate purposes.

The company is the successor to the business of a predecessor corporation which had been incorporated in 1937, is engaged in manufacturing men's and boys' work and sport shoes and boots. It sells its products primarily to retailers located in all the States of the Union and in Puerto Rico, and also to chain stores, mail order houses, jobbers and occasionally to governmental agencies. Its executive offices are in Flowery Branch, Ga.

Keenan & Co., Inc. Offers State Ind. Debentures

John J. Keenan & Co., Inc., of Los Angeles, has offered \$500,000 of 6% convertible subordinated debentures of State Industries, also of Los Angeles.

The company's products consist of steel tubing, canvas products and awning frames, and school and auditorium furniture. It has outstanding 2,000,000 common shares and certain indebtedness. Net proceeds of the sale of the debentures will be used as follows: \$25,000 in the purchase and installation of a modern paint plant; \$125,000 to purchase and install additional tube mill equipment; \$80,000 for removal and re-installation of present and new equipment; and the balance for working capital.

Goodkind, Neufeld, Jordon

Effective Jan. 15 Goodkind, Neufeld & Co. will be dissolved and Goodkind, Neufeld, Jordon Co., Inc. will be formed with offices at 400 Park Avenue, New York City. Officers of the firm, which will be a member of the New York Stock Exchange, will be Robert H. Goodkind, President; Philip M. Neufeld, Treasurer; and Charles R. Jordon, Vice-President and Secretary.

Securities Now in Registration

★ INDICATES ADDITIONS
SINCE PREVIOUS ISSUE
• ITEMS REVISED

Aaronson Bros. Stores Corp.

Dec. 29 filed 40,000 shares of 70 cent cumulative preferred stock (par \$2.50). **Price**—To be supplied by amendment. **Proceeds**—To pay for opening, equipping and stocking three new stores in El Paso, San Luis, Ariz., and San Diego, Calif. The balance of the proceeds will be added to the company's general funds and used primarily to open, equip and stock additional stores that may be opened in the future. **Office**—526 East Overland Avenue, El Paso, Texas. **Underwriters**—Eppler, Guerin & Turner, Inc., Dallas, Texas, and Harold S. Stewart & Co., El Paso, Texas.

Abbott-Warner Co., Inc.

Aug. 12 (letter of notification) 62,500 shares of common stock (no par). **Price**—\$2.70 per share. **Proceeds**—To prepare estimates and to submit bids, as prime contractor on specialized construction projects. **Office**—123 Denick Avenue, Youngstown, Ohio. **Underwriter**—Strathmore Securities, Inc., 605 Park Building, Pittsburgh 22, Pa. This offering is expected to be refilled.

Accurate Electronics, Inc.

Dec. 16 (letter of notification) 150,000 shares of common stock (par 25 cents). **Price**—\$1.50 per share. **Proceeds**—For research and development, advertising and for working capital. **Office**—13215 Leadwell Street, N. Hollywood, Calif. **Underwriters**—Amos Treat & Co., Inc., New York and Arthur B. Hogan, Inc., Los Angeles, Calif. **Offering**—Expected in January.

Aetna Finance Co. (1/26)

Dec. 22 filed \$5,000,000 convertible subordinated debentures, due Feb. 1, 1975, and 200,000 shares of common stock (par \$1), of which 75,000 shares of the common are to be offered for the account of a selling stockholder and the rest of the offering is to be made on behalf of the issuing company. **Prices**—For the debentures, at 100% plus accrued interest from Feb. 1, 1960; for the stock, to be supplied by amendment. **Proceeds**—For general corporate purposes, including the reduction of indebtedness. **Office**—Clayton, Mo. **Underwriters**—Scherck, Richter Co., and Dempsey-Tegeler & Co., both of St. Louis, Mo.

Aetna Oil Development Co., Inc.

Dec. 31 (letter of notification) \$245,000 of 4½% five-year debentures (par \$100 each) redeemable in cash or for 100 shares of common stock. **Price**—\$115.50 per debenture. **Proceeds**—For expenses in the development of oil properties. **Office**—840 First National Bank Building, Phoenix, Ariz. **Underwriter**—None.

Alaska Consolidated Oil Co., Inc.

Sept. 17 filed 3,000,000 shares of common stock (par five cents). **Price**—\$2.50 per share. **Proceeds**—For further development and exploration of the oil and gas potential of the company's Alaska properties. **Office**—80 Wall Street, New York. **Underwriter**—C. B. Whitaker, A. J. Zappa & Co., Inc., New York. **Offering**—Expected in January.

Aircraft Dynamics International Corp. (1/15)

Sept. 25 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—\$3 per share. **Proceeds**—For general corporate purposes. **Office**—229 S. State Street, Dover, Del. **Underwriter**—Aviation Investors of America, Inc., 666 Fifth Avenue, New York 19, N. Y.

Allegheny Airlines, Inc.

Dec. 31 filed \$5,500,000 of convertible subordinated debentures, due Feb. 1, 1975. **Price**—To be supplied by amendment. **Proceeds**—To buy planes and engines, reduce indebtedness, and add to working capital. **Office**—Washington National Airport, Washington, D. C. **Underwriters**—Auchincloss, Parker & Redpath of Washington, and Allen & Co. and Lee Higginson Corp., both of New York City.

Allied Bowling Centers, Inc.

Dec. 29 filed \$750,000 of sinking fund debentures and 300,000 shares of capital stock, to be offered in units of \$75 principal amount of debentures and 30 shares of stock. **Price**—\$108 per unit. **Proceeds**—For general corporate purposes. **Office**—Arlington, Texas. **Underwriter**—Rauscher, Pierce & Co., Inc., Dallas.

Allied Producers Corp.

Dec. 3 filed 1,000,000 shares of common stock. **Price**—\$1 per share. **Proceeds**—For working capital to be used in the purchase of oil and gas properties and related forms of investment. **Office**—115 Louisiana Street, Little Rock, Ark. **Underwriter**—The offering is to be made by John L. Hedde, President of the issuing company and owner of 10,000 of its 80,000 presently outstanding shares. Mr. Hedde will work on a "best efforts" basis, and will receive a selling commission of 12 cents per share on Arkansas sales and 15 cents per share on out-of-state sales.

Allied Small Business Investment Corp.

Sept. 29 filed 100,000 shares of common stock (par \$8). **Price**—\$11 per share. **Proceeds**—To be used to provide equity capital and long-term loans to small business concerns. **Office**—Washington, D. C. **Underwriter**—NASD members who execute a selling agreement. **Offering**—Expected in January.

American Frontier Life Insurance Co.

Nov. 30 filed 200,000 shares of capital stock. **Price**—\$8 per share. **Proceeds**—To increase capital and surplus. **Office**—1455 Union Ave., Memphis, Tenn. **Underwriter**—Union Securities Investment Co., also of Memphis, which will receive a selling commission of \$1.20 per share.

American Gypsum Co.

Dec. 4 filed 480,000 shares of common stock and \$1,200,000 of 7% first mortgage notes, due Dec. 1, 1969, to be offered in units consisting of \$100 principal amount of

notes and 40 shares of stock. The common stock will be separately transferable only on and after July 1, 1960 unless an earlier date is fixed by the Board of Directors of the company. **Price**—\$300 per unit. **Proceeds**—For general corporate purposes, including construction equipment, and working capital. **Office**—323 Third Street, S. W., Albuquerque, N. Mex. **Underwriters**—Jack M. Bass & Co., Nashville, Tenn., and Quinn & Co., Albuquerque. **Offering**—Expected at end of January, 1960.

American Hospital Supply Corp.

Dec. 23 filed 53,000 shares of its common stock. The company proposes to acquire all the outstanding 1,415 common shares of Arnar-Stone Laboratories, Inc., (of Mt. Prospect, Ill.) in exchange for 49,525 shares of its common stock, and to acquire not less than 80% of the 6% cumulative preferred stock (\$100 par) of Arnar-Stone, 1,029 shares of which are outstanding, pursuant to a formula based upon the market value of the company's common. Registration of the issuer's common shares is being effected in view of the possibility that a portion or all thereof may be re-offered for public sale by persons who receive same in exchange for Arnar-Stone stock.

American Industries Life Insurance Co.

Dec. 18 filed 316,667 shares of class A common and 50,000 shares of class B common, of which 50,000 shares of the class A and all (50,000) of the class B have been subscribed to by Foundation Life Insurance Co., and 16,667 shares of the class A are reserved for issuance upon the exercise of an option granted an agency director. **Price**—\$4.50 per share (for the 250,000 shares to be publicly offered). **Proceeds**—For capital and surplus of the 13-month-old company. **Office**—Title & Trust Bldg., Phoenix, Arizona. **Underwriter**—None.

American Insurance Founders, Inc.

Jan. 4 (letter of notification) 300,000 shares of class A common stock (par 25 cents). **Price**—\$1 per share. **Proceeds**—For advances to salesmen; to repay a loan and for working capital. **Office**—619 Warner Building, Washington 4, D. C. **Underwriter**—None.

American Investors Syndicate, Inc.

June 25 filed 600,000 shares of common stock (par 10 cents), and 200,000 shares of 6% preferred stock (no par value, \$9 stated value), to be offered in units consisting of 3 shares of common (\$1 each) and 1 share of preferred (\$9). **Price**—\$12 per unit. **Proceeds**—For construction and related expenditures. **Office**—513 International Trade Mart, New Orleans, La. **Underwriter**—Lindsay Securities Corp., New Orleans, La. The SEC had scheduled a hearing, to begin on Sept. 2, which will determine whether a stop order will be issued suspending the offering. No decision has been announced.

American Land Co.

Dec. 14 filed 300,000 shares of class A preference stock (\$15 par) and 300,000 shares of common stock, to be offered in units of one share of preference and one share of common. **Price**—To be supplied by amendment. **Proceeds**—For property acquisition and development. **Office**—49 E. 53rd Street, New York City. **Underwriter**—Hemphill, Noyes & Co. **Offering**—Expected in January.

American Service Life Insurance Co.

Sept. 14 filed 300,000 shares of common stock (par 40¢). **Price**—\$3.50 per share. **Proceeds**—For general corporate purposes, including, possibly, the acquisition of similarly engaged companies. **Office**—113 Northeast 23rd Street, Oklahoma City, Okla. **Underwriter**—First Investment Planning Co., Washington, D. C.

Anodyne, Inc., Bayside, L. I., N. Y.

Sept. 9 (letter of notification) 150,000 shares of common stock (par one cent). **Price**—\$2 per share. **Proceeds**—For expansion and general corporate purposes. **Underwriter**—Ross, Lyon & Co., Inc., New York, N. Y. **Offering**—Expected in January.

Apache Properties, Inc.

Nov. 20 filed 500,000 shares of common stock (par \$1) to be offered in exchange for undivided interests in gas and oil leaseholds located in certain counties in Oklahoma. **Price**—\$10 per share. **Office**—523 Marquette Ave. Minneapolis, Minn. **Underwriter**—None.

Arcoa, Inc.

Dec. 28 filed \$6,000,000 of U-Haul Fleet Owner Contracts and \$3,000,000 of Kar-Go Fleet Owner Contracts. The contracts provide for the operation of fleets of automobile-type rental trailers in the U-Haul Trailer Rental System or the Kar-Go Trailer Rental System. **Office**—4707 S. E. Hawthorne Boulevard, Portland, Ore. SEC clearance is expected about March 1.

Associations Investment Fund

Aug. 28 filed 400,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For investment in common stocks. **Office**—301 W. 11th Street, Kansas City, Mo. **Underwriter**—Jones Plans, Inc., a subsidiary of R. B. Jones & Sons, Inc.

Automatic Retailers of America, Inc. (1/26)

Dec. 15 filed 120,000 shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To pay bank loan, with the balance to general funds for expansion and acquisitions. **Office**—Los Angeles, Calif. **Underwriters**—White, Weld & Co., New York City, and Crutten, Podesta & Co., of Chicago.

Bankers Management Corp.

Sept. 10 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—\$1 per share. **Proceeds**—For working capital. **Office**—1404 Main Street, Houston 2, Texas. **Underwriter**—Daggett Securities, Inc., Newark, N. J.

Bargain Centers, Inc.

Dec. 2 (letter of notification) 120,000 shares of common stock (par \$10 cents). **Price**—\$2.50 per share. **Proceeds**—To remodel store and offices in warehouse, opening a new store and for working capital. **Office**—31-37 Fayette Street, Martinsville, Va. **Underwriters**—Frank P. Hunt & Co., Inc., Rochester, N. Y., and First City Securities, Inc., New York, N. Y.

Benson Manufacturing Co., Kansas City, Mo. (1/18)

Nov. 25 filed \$2,000,000 of 6% convertible subordinated debentures due Nov. 30, 1971 and 130,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—For additional manufacturing equipment, acquisition of property and retirement of a \$500,000 bank loan. **Business**—In addition to its aluminum operations the company fabricates magnesium, stainless steel and titanium. As a leading subcontractor it serves the major missile, rocket and aircraft companies through its missile container division. **Underwriter**—S. D. Fuller & Co., New York.

Big "C" Stores, Inc.

Dec. 23 filed 250,000 shares of common stock, of which 125,000 shares are to be offered for the company's account and the remaining 125,000 will be sold for the account of certain selling stockholders. **Price**—To be supplied by amendment. **Proceeds**—For repayment of certain outstanding notes; for payment of fixtures and equipment for new supermarkets; and the balance for general corporate purposes. **Office**—1845 S. E. Third Ave., Portland, Ore. **Underwriters**—J. Barth & Co., and The First California Co. Inc., both of San Francisco, Calif.; and Hill Darlington & Co., New York.

Boothe Leasing Corp.

Dec. 2 filed 40,296 shares of common stock (no par) being offered to holders of outstanding common stock on basis of one new share for each eight shares held of record Jan. 12; rights expire Jan. 29. **Price**—\$24 per share. **Proceeds**—For general corporate purposes, including the acquisition of additional equipment which the company intends to lease to various businesses. **Office**—315 Montgomery Street, San Francisco, Calif. **Underwriters**—Wertheim & Co., New York City, and J. Barth & Co., San Francisco.

Border Steel Rolling Mills, Inc.

Sept. 14 filed \$2,100,000 of 15-year 6% subordinated sinking fund debentures, due Oct. 1, 1974, and 210,000 shares of common stock (\$2.50 par), to be offered in units of \$50 principal amount of debentures and five shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—For the purchase of land and construction thereon, and for the manufacture and installation of necessary equipment. **Office**—1609 Texas Street, El Paso, Texas. **Underwriters**—First Southwest Co., Dallas, Texas, and Harold S. Stewart & Co., El Paso, Texas.

Border Steel Rolling Mills, Inc.

Sept. 14 filed 226,380 shares of common stock, to be offered for subscription to stockholders of record Aug. 31, 1959, on the basis of 49 new shares for each share then held. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—1609 Texas Street, El Paso, Texas. **Underwriter**—None.

Bowmar Instrument Corp.

Dec. 28 filed 27,000 shares of common stock. These shares are to be offered to holders of outstanding stock purchase warrants, which are attached to notes issued in January, 1959 and are exercisable at \$2.50 per share. **Office**—8000 Bluffton Road, Fort Wayne, Ind.

Burch Oil Co.

Sept. 25 (letter of notification) 120,000 shares of class A common stock (par five cents). **Price**—\$2.50 per share. **Proceeds**—For building and equipping stations and truck stop and additional working capital. **Office**—C/o Garland D. Burch, at 707 Grattan Road, Martinsville, Va. **Underwriter**—Maryland Securities Co., Inc., Old Town Bank Building, Baltimore 2, Md.

Burke Concrete Accessories, Inc.

Dec. 31 (letter of notification) 2,000 shares of class B common stock, not to exceed \$50,000, to be offered to employees pursuant to Employees' Stock Purchase Plan. **Proceeds**—For working capital. **Address**—c/o Mr. George O. Gaetke, President, 255 Santa Clara Avenue, San Francisco, Calif. **Underwriter**—None.

California Metals Corp.

July 27 filed 2,500 shares of common stock. **Price**—At par (20 cents per share). **Proceeds**—For construction of a pilot plant; for measuring ore; for assaying; and for general corporate purposes. **Office**—3955 South State St., Salt Lake City, Utah. **Underwriter**—Cromer Brokerage Co., Inc., Salt Lake City.

California Mutual Co-Ply, Inc.

Sept. 14 filed 140 shares of voting common stock. **Price**—At par (\$5,000 per share). **Proceeds**—To purchase the mill and related facilities of Durable Plywood Co. for \$690,000, with the balance to be used for working capital. **Office**—Calpella, Calif. **Underwriter**—The offering is to be made by Ramond Benjamin Robbins, one of the nine promoters, the list of which also includes Harry Ernest Holt, of Eureka, Calif., President of the company.

California Water & Telephone Co.

Jan. 8 filed 210,000 shares of common stock, of which 200,000 shares are to be offered to the public and 10,000 shares are to be offered to employees of the issuer. **Price**—To be supplied by amendment. **Proceeds**—To be applied to 1960 construction expenditures, which are esti-

ated at \$13,387,000. Office—300 Montgomery Street, San Francisco, Calif. Underwriter—Blyth & Co., Inc., Russ Building, San Francisco 4, and New York City.

Can-Fer Mines Ltd.
Dec. 22 filed 300,000 shares of capital stock. Price—To be supplied by amendment. Proceeds—For exploration and development of mining claims. Office—Toronto, Canada. Underwriters—Pearson, Murphy & Co., Inc., and Emanuel, Deetjen & Co., both of New York City, on a "best efforts" basis.

Cardinal Petroleum Co. (1/15)
Nov. 30 filed 200,000 shares of common capital stock. Price—\$4 per share. Proceeds—For general corporate purposes including debt reduction, drilling and working capital. Office—420 No. 4th St., Bismarck, North Dakota. Underwriter—J. M. Dain & Co., Inc., Minneapolis, Minn.

Carolina Natural Gas Corp.
Dec. 30 filed 120,000 shares of common stock. Price—To be supplied by amendment. Proceeds—For debt reduction, construction, and working capital. Office—256 First Avenue N. W., Hickory, N. C. Underwriters—Crutenden, Podesta & Co., Chicago, and Odess-Martin, Inc., Birmingham, Ala.

Cascade Pools Corp.
Nov. 30 (letter of notification) 100,000 shares of common stock (par 10 cents). Price—\$1 per share. Proceeds—For general corporate purposes. Office—River & Wood Sts., Butler, N. J. Underwriter—R. A. Holman & Co., Inc., New York, N. Y. Offering—Expected in February.

Central Electric & Gas Co. (1/18-22)
Dec. 11 filed \$3,000,000 of convertible subordinated debentures, due Jan. 15, 1975. Price—To be supplied by amendment. Proceeds—For construction expenses of the issuer and its subsidiaries. Office—144 So. 12th Street, Lincoln, Nebr. Underwriters—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., both of New York City.

Citizens Casualty Co. of New York (1/25-29)
Nov. 9 filed 250,000 shares of class A common stock (par \$2). Price—To be supplied by amendment. Proceeds—To be invested in income-producing securities. Office—33 Maiden Lane, New York City. Underwriter—Lee Higginson Corp.

Clinton Engines Corp.
Jan. 11 filed 350,000 shares of common stock. Price—To be supplied by amendment. Proceeds—To reduce indebtedness. Office—250 Park Ave., New York City. Underwriters—Bear, Stearns & Co., New York City, and H. M. Byllesby & Co., Inc., Chicago.

Coastal Chemical Corp.
Dec. 7 filed 111,729 shares of class A common and 70,000 shares of class C common, of which 50,000 class C shares are to be offered for the account of Miss. Chemical Corp., selling stockholder, with the remainder of the offering to be sold for the account of the issuing company. Price—For the class A stock: \$30 per share; for the class C stock: \$25 per share. Proceeds—For working capital,

construction, and repayment of loans. Office—Yazoo City, Miss. Underwriter—The offering is to be made through Coastal employees with Miss. Chemical underwriting on a "best efforts" basis, receiving a selling commission of 33 cents a share.

★ Colorado Interstate Gas Co.
Jan. 6 filed \$1,250,000 of contributions by participating employees under its Thrift Plan, together with 28,090 shares of common stock which might be acquired pursuant thereto. Office—Colorado Springs, Colo.

Combined Electronics, Inc.
Oct. 30 filed 800,000 shares of common stock (par \$1). Price—\$2.50 per share. Proceeds—For general corporate purposes, including expansion, new product development, and working capital. Office—135 S. La Salle Street, Chicago, Ill. Underwriter—David Johnson & Associates, Inc., Indianapolis, Ind., on a "best efforts" basis.

• Commerce Drug Co.
Nov. 30 filed 90,000 shares of common stock. Price—\$6.50 per share. Proceeds—To selling stockholders. Office—505 Court St., Brooklyn, N. Y. Underwriter—Marron, Sloss & Co., Inc. Offering—Expected in January.

Commerce Oil Refining Corp.
Dec. 16, 1957 filed \$25,000,000 of first mortgage bonds due Sept. 1, 1968, \$20,000,000 of subordinated debentures due Oct. 1, 1968 and 3,000,000 shares of common stock to be offered in units as follows: \$1,000 of bonds and 48 shares of stock and \$100 of debentures and nine shares of stock. Price—To be supplied by amendment. Proceeds—To construct refinery. Underwriter—Lehman Brothers, New York. Offering—Indefinite.

• Commercial Metals Co.
Nov. 25 filed 100,000 shares of outstanding common stock (par \$5). Price—To be supplied by amendment. Proceeds—To selling stockholders. Office—512 South Akard St., Dallas, Tex. Underwriter—Eppler, Guerin & Turner, Inc. Offering—Expected any day.

★ Community Investment Corp.
Dec. 30 (letter of notification) \$295,000 of debentures 8% series, due 1974 to be offered in denominations of \$500 each. Price—At face amount. Proceeds—For loans to its subsidiaries and for working capital. Office—31 Hampshire Street, Lawrence, Mass. Underwriter—None.

Computer Usage Co., Inc.
Dec. 29 (letter of notification) 47,000 shares of common stock (par 25 cents). Price—\$5 per share. Proceeds—For general corporate purposes. Office—100 W. 10th Street, Wilmington, Del. Underwriters—Marron, Sloss & Co., Inc. (handling the books), and Roosevelt & Gourd, New York, N. Y.; L. B. Schwinn & Co., Cleveland, Ohio; Donaldson, Luskin & Jenrette, Inc., New York, N. Y. and First Albany Corp., Albany, N. Y.

Connecticut Light & Power Co.
Jan. 7 filed \$25,000,000 of first and refunding mortgage bonds, series P, due Feb. 1, 1990. Underwriters—Morgan Stanley & Co.; Putnam & Co.; Chas. W. Scranton & Co.; and Estabrook & Co. (jointly).

NEW ISSUE CALENDAR

January 15 (Friday)

Aircraft Dynamics International Corp. Common
(Aviation Investors of America, Inc.) \$300,000
Cardinal Petroleum Co. Common
(J. M. Dain & Co., Inc.) \$800,000
(B. M.) Harrison Electrosonics, Inc. Common
(G. Everett Parks & Co., Inc.) \$399,000
TelePrompter Corp. Common
(Bear, Stearns & Co.) 125,000 shares
West Florida Natural Gas Co. Debentures
(White, Weld & Co. & Pierce, Carrison, Wulbern, Inc.) \$837,200

January 18 (Monday)

Benson Manufacturing Co. Common
(S. D. Fuller & Co.) 130,000 shares
Benson Manufacturing Co. Debentures
(S. D. Fuller & Co.) \$2,000,000
Central Electric & Gas Co. Debentures
(Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp.) \$3,000,000

January 19 (Tuesday)

Integrand Corp. Common
(DiRoma, Alexik & Co.) \$340,000
Kansas Gas & Electric Co. Common
(Bids to be invited) 200,000 shares
Louisiana Gas Service Co. Bonds
(Bids to be invited)
Southeastern Factors Corp. Debentures
(Interstate Securities Corp.; McCauley & Co. and Citizens Trust Co.) \$500,000

January 20 (Wednesday)

Pacific Centers, Inc. Common
(Binder & Co.) \$295,000

January 22 (Friday)

Tenney Engineering Co., Inc. Common
(Milton D. Blauner & Co., Inc.) 25,000 shares
Tenney Engineering, Inc. Debentures
(Milton D. Blauner & Co., Inc.) \$500,000

January 25 (Monday)

Citizens Casualty Co. of New York Common
(Lee Higginson Corp.) 250,000 shares
Florida West Coast Corp. Common
(Midtown Securities Corp.) \$300,000
General Acceptance Corp. Debentures
(Paine, Webber, Jackson & Curtis and Eastman Dillon, Union Securities & Co.) \$25,000,000
Micronaire Electro Medical Products Corp. Com.
(General Investing Corp.) 200,000 shares
Micronaire Electro Medical Products Corp. Wts.
(General Investing Corp.) 50,000 warrants

January 26 (Tuesday)

Aetna Finance Co. Common
(Scherck, Richter Co. and Dempsey-Tegeler & Co.)
200,000 shares

Aetna Finance Co. Debentures
(Scherck, Richter Co. and Dempsey-Tegeler & Co.)
\$5,000,000

Automatic Retailers of America, Inc. Common
(White, Weld & Co. and Crutenden, Podesta & Co.)
120,000 shares

Montreal Metropolitan Corp. Debentures
(First Boston Corp.) \$30,000,000

Southern California Edison Co. Bonds
(Bids to be invited) \$30,000,000

February 10 (Wednesday)

Control Electronics Co., Inc. Common
(Milton D. Blauner & Co., Inc.; David Finkle & Co. and Gartman, Rose & Feuer) \$165,000

February 18 (Thursday)

Duke Power Co. Bonds
(Bids to be invited) \$50,000,000

February 24 (Wednesday)

Duquesne Light Co. Debentures
(Bids 11 a.m. EST) \$20,000,000

March 17 (Thursday)

Mississippi Power Co. Bonds
(Bids to be invited) \$4,000,000

April 17 (Thursday)

Alabama Power Co. Bonds
(Bids to be invited) \$19,500,000

June 2 (Thursday)

Southern Electric Generating Co. Bonds
(Bids to be invited) \$40,000,000

July 7 (Thursday)

Gulf Power Co. Preferred
(Bids to be invited) \$50,000,000

Gulf Power Co. Bonds
(Bids to be invited) \$5,000,000

November 3 (Thursday)

Georgia Power Co. Bonds
(Bids to be invited) \$12,000,000

Consolidated Development Corp.

Aug. 28 filed 448,000 shares of common stock (par 20c), of which 1198,000 shares are to be offered to holders of the issuing company's 6% convertible debentures, and 100,000 shares are to be offered to the underwriter, with the remaining 150,000 shares, in addition to those shares described above not subscribed for by the debenture holders and the underwriter, respectively, to be publicly offered. Price—For the shares to be offered to the debenture holders, 75c per share, which is equal to the price at which the debentures are convertible into common stock; for the shares to be offered to the underwriter, \$1 per share; for the shares to be offered to the public, the price will be related to the current price of the outstanding shares on the American Stock Exchange at the time of the offering. Proceeds—For general corporate purposes. Note—This company was formerly known as Consolidated Cuban Petroleum Corp., which was a Delaware corporation with Havana offices. Its charter was amended last June, changing the corporate name and sanctioning its entry into real estate operations. The SEC announced a "stop order" on Dec. 10, challenging the registration statement, and the corporation told this newspaper they planned to re-register. An SEC hearing is scheduled for Jan. 25. Office—Miami Beach, Fla. Underwriter—H. Kook & Co., Inc., New York.

Consolidated Development Corp., Pompano Beach, Fla.

Nov. 24 filed 140,000 shares of common stock (par \$1). Price—\$5 per share. Proceeds—To pay outstanding notes and for working capital. Underwriter—Consolidated Securities Corp., of Pompano Beach, Fla., on a best efforts basis. Note—Nick P. Christos is a director of the issuing company and President of the underwriting corporation.

★ Consolidated Water Co.

Dec. 30 (letter of notification) 24,900 shares of class A common stock (par \$10). Price—\$12 per share. Proceeds—To pay in part bank loans. Office—327 S. La Salle Street, Chicago, Ill. Underwriters—Milwaukee Co., Milwaukee, Wis. and Indianapolis Bond & Share Corp., Indianapolis, Ind.

Consultants Bureau Enterprises, Inc.

Dec. 29 filed 147,000 shares of class A common stock, of which 104,000 are to be offered for public sale for the account of the issuing company and 43,000 shares, representing outstanding stock, by the present holders thereof. Price—\$3 per share. Proceeds—\$100,000 to be allocated to translating and publishing additional new books; \$25,000 to acquire and equip additional needed space for the company's operations; and the balance to acquire additional machinery and equipment for cold-type composition. Office—227-239 West 17th Street, N. Y. Underwriter—William David & Co., Inc., N. Y.

Continental Reserve Co.

Nov. 13 (letter of notification) 300,000 shares of common stock (par 30 cents). Price—\$1 per share. Proceeds—To invest in the common stock of its proposed subsidiary, Continental Reserve Life Insurance Co. Office—914-916 Kearns Bldg., Salt Lake City, Utah. Underwriter—Columbine Securities Corp., Denver, Colo.

• Control Electronics Co., Inc. (2/10)

Dec. 23 filed 165,000 shares of common stock (par \$3). Price—At par. Proceeds—To repay \$80,000 of bank loans; \$50,000 to replace working capital expended for equipment and machinery; \$50,000 to increase sales efforts, including the organization of sales offices on the West Coast and in the Chicago areas; and \$50,000 to further development of delay lines, filters and microwave devices. The balance of the proceeds will be added to working capital. Office—10 Stepar Place, Huntington Station, N. Y. Underwriters—Milton D. Blauner & Co., Inc., David Finkle & Co. and Gartman, Rose & Feuer, all of New York.

Cooperative Grange League Federation Exchange, Inc.

Dec. 4 filed \$250,000 of 4% subordinated debentures, 10-000 shares of 4% cumulative preferred stock, and 200,000 shares of common stock. The common shares may be offered only to present or prospective members of the Cooperative. Prices—For the debentures, 100% of principal amount; for the preferred, \$100 per share; for the common, \$5 per share. Proceeds—For general corporate purposes, including future redemptions of outstanding securities and property additions and improvements. Office—Terrace Hill, Ithaca, N. Y. Underwriter—None.

Cornbelt Insurance Co., Freeport, Ill.

Sept. 29 filed 200,000 shares of common stock to be offered for subscription by common stockholders of record Sept. 15, 1959, at the rate of four new shares for each 10 shares then held. Unsubscribed shares may be offered publicly. Price—\$4 per share. Proceeds—To increase capital and surplus. Underwriter—None, but brokers and dealers who join in the distribution will receive commission of 40 cents per share.

Cornbelt Life Co.

Sept. 29 filed 100,000 shares of common stock, to be offered to stockholders of record Sept. 15 on the basis of one share for each share then held. Price—\$4.50 per share. Proceeds—To be credited to stated capital and paid-in surplus. Office—12 North Galena Avenue, Freeport, Ill. Underwriter—None.

Corrosion Control Co., Inc.

Dec. 11 (letter of notification) 60,000 shares of capital stock (par 25 cents). Price—\$5 per share. Proceeds—For general corporate purposes. Office—33 W. 42nd Street, New York, N. Y. Underwriter—Charles Plohn & Co., New York, N. Y. Offering—Expected in January.

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Craftsman Life Insurance Co.

Dec. 18 (letter of notification) 8,000 shares of capital stock (par \$10) to be offered for subscription by stockholders of record with the right to purchase one new share for each five shares held. Rights expire within 30 days. **Price**—\$25 per share. **Proceeds**—For working capital and surplus. **Office**—851 Boylston Street, Boston, Mass. **Underwriter**—None.

Crest Investment Trust, Inc.

Nov. 30 filed 1,172 shares of type A and 7,400 shares of type B common stock, together with \$42,500 of 6% debenture notes. **Price**—\$110 per share of stock; the notes will be offered in units of \$500. **Proceeds**—For expansion. **Office**—41 W. Preston St., Baltimore, Md.

Crown Aluminum Industries Corp.

Nov. 30 filed \$1,500,000 of 17-year, 7½% debentures, due Jan. 15, 1977, and 180,000 shares of common stock, to be offered in units of \$100 of debentures and 12 shares of stock. **Price**—\$160 per unit; and \$6.50 per share for an additional 100,000 shares included in the registration statement and not covered above. **Proceeds**—For general corporate purposes, including 1,200,000 for installing and equipping a hot rolling mill. **Office**—202 Reynolds Arcade Bldg., Rochester, N. Y. **Underwriter**—Adams & Peck, New York City. **Offering**—Expected in January.

Crusader Oil & Gas Corp., Pass Christian, Miss.

May 26 filed 1,500,000 shares of common stock, of which 441,613 shares will be offered on a one-for-one basis to stockholders. The remaining 858,387 shares will be offered publicly by the underwriter on a "best efforts" basis. **Price**—To be supplied by amendment. **Proceeds**—For repayment of notes and for working capital. **Underwriter**—To be supplied by amendment.

Daryl Industries, Inc.

Dec. 15 filed 225,000 shares of common stock, of which 130,000 shares are to be offered for the account of the issuing company and 95,000 shares representing outstanding stock, are to be offered for the account of the present holders thereof. **Price**—\$5 per share. **Proceeds**—For general corporate purposes. **Office**—7240 N. E. 4th Street, Miami, Fla. **Underwriter**—Clayton Securities Corp., Boston, Mass.

Data Control Systems, Inc.

Dec. 18 filed 122,500 shares of common stock (par 10 cents), of which 75,000 are to be publicly offered, 10,000 are to be offered pursuant to the issuer's Employees' Stock Option Plan and 37,500, now outstanding, may be offered from time to time by the present holders thereof. **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness. **Office**—39 Rose St., Danbury, Conn. **Underwriter**—C. E. Unterberg, Towbin Co., New York City.

Davega Stores Corp.

Nov. 25 filed 88,000 shares of common stock to be offered to present stockholders at the rate of one new share for each three shares held. **Price**—\$7 per share. **Proceeds**—For expansion and other corporate purposes. **Office**—215 4th Ave., New York City. **Underwriter**—None.

Deluxe Aluminum Products, Inc.

Oct. 15 filed \$330,000 of convertible debentures, and 70,000 shares of common stock. **Price**—For the debentures, 100% of principal amount; for the stock, \$5 per share. **Proceeds**—From 10,000 shares of the common stock, to the present holders thereof; from the rest of the offering, to the company to be used for expansion and as working capital. **Office**—6810 S. W. 81st St., Miami, Fla.

Dentists' Supply Co. of N. Y.

Dec. 22 filed 200,000 shares of outstanding common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—York, Pa. **Underwriter**—Reynolds & Co., Inc., New York City.

Diversified Communities, Inc.

Sept. 25 filed 367,200 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—For acquisition of Hope Homes, Inc., Brownstown Water Co. and Cantor & Goldman Builders, Inc., with the balance to be used as working capital. **Office**—29A Sayre Woods Shopping Center, Madison Township, P. O. Parlin, N. J. **Underwriter**—Lee Higginson Corp., New York.

Don Mott Associates, Inc.

Oct. 27 filed 161,750 shares of class B, non-voting, common stock (par \$5). **Price**—\$10 per share. **Proceeds**—For general corporate purposes, including payment on a building and the financing of loans. **Office**—Orlando, Fla. **Underwriter**—Leon H. Sullivan, Inc., Philadelphia, Pa., on a "best efforts" basis. **Offering**—Expected shortly.

★ **Duke Power Co. (2/18)**
Jan. 6 filed \$50,000,000 of first and refunding mortgage bonds, series due 1990. **Proceeds**—For construction. **Office**—Charlotte, N. C. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Morgan Stanley & Co.; Stone & Webster Securities Corp.

★ **Eastern Gas & Water Investment Co.**
Dec. 14 (letter of notification) 2,000 shares of series A, 6½% cumulative convertible preferred stock. Preferred stock is convertible into common stock on a basis of 2½ shares of common for each share of preferred. **Price**—At par (\$25 per share). **Proceeds**—For loans to subsidiaries. **Office**—1204 Broad-Locust Building, Philadelphia 2, Pa. **Underwriter**—Bioren & Co., Philadelphia 2, Pa.

★ **E. H. P. Corp.**
Aug. 31 filed 160,000 shares of capital stock (par 10c), of which 100,000 shares are to be publicly offered. **Price**—\$2.50 per share. **Proceeds**—To provide funds for the purchase of vending machines which will be used to distribute automobile breakdown insurance policies on

thruways, parkways and highways in the amount of \$25 of such breakdown insurance for the purchase price of 25 cents, and for a public relations and publicity program. **Office**—Hotel Troy Building, Troy, New York. **Underwriter**—John R. Boland & Co., Inc., New York.

Ekco Products Co.

Dec. 4 filed 21,609 shares of second cumulative preferred stock, 6% series, and 54,064 shares of common stock, to be offered in exchange for the common stock of Washington Steel Products, Inc., on the basis of one-half share of common and one-fifth of a share of preferred for each common share of Washington Steel. **Office**—1949 North Cicero Avenue, Chicago, Ill.

ESA Mutual Fund, Inc.

June 29 filed 2,000,000 shares of capital stock. **Price**—To be supplied by amendment. **Proceeds**—For investment. **Investment Adviser**—Yates, Heitner & Woods, St. Louis, Mo. **Underwriter**—ESA Distributors, Inc., Washington, D. C. **Office**—1028 Connecticut Avenue, N. W., Washington, D. C.

Estates, Inc.

Dec. 24 filed 200,000 shares of class A common stock. **Price**—\$5 per share. **Proceeds**—For purchase of various properties, for development and subdivision thereof, and to meet operating expenses, salaries and other costs, but principally for the purchase and development of large tracts of land. **Office**—3636-16th Street, N. W., Washington, D. C. **Underwriter**—Consolidated Securities Co. of Washington, D. C.

Farwest Plywood Co.

Dec. 31 (letter of notification) 80 shares of class A preferred stock (par \$3,500) and 80 shares of common stock (no par) to be offered in units of one share each. **Price**—At par. **Proceeds**—For construction, to install machinery and equipment, retirement of outstanding class B preferred stock and for general funds and working capital. **Office**—Kenmore, Wash. **Underwriter**—None.

Fastline, Inc.

Nov. 6 (letter of notification) 100,000 shares of common stock (par 10 cents). **Price**—\$3 per share. **Proceeds**—For general corporate purposes. **Office**—8 Washington Place, New York, N. Y. **Underwriter**—Mortimer B. Burnside & Co., Inc., New York, N. Y. **Offering**—Expected any day.

Federated Purchaser, Inc.

Jan. 11 filed 170,000 shares of class A stock. **Price**—\$4 per share. **Proceeds**—To eliminate bank indebtedness of about \$100,000, and to acquire and equip two new branches, one on the east coast and one on the west coast. The balance will be used for inventory, working capital, and general corporate purposes. **Office**—Mountainside, N. J. **Underwriter**—Milton D. Blauner & Co., Inc., New York City.

Finger Lakes Racing Association, Inc.

Dec. 28 filed \$4,500,000 of 20-year 6% subordinated sinking fund debentures due 1980 and 450,000 shares of class A stock (par \$5) to be offered in units, each consisting of \$100 of debentures and 10 shares of class A stock. **Price**—\$155 per unit. **Proceeds**—For purchase of land and the cost of construction of racing plant as well as other organizational and miscellaneous expenses. **Office**—142 Pierrepont Street, Brooklyn, N. Y. **Underwriter**—Stroud & Co., Inc., New York and Philadelphia.

First Northern-Olive Investment Co.

Aug. 17 filed 20 partnership interests in the partnership. Similar filings were made on behalf of other Northern-Olive companies, numbered "second" through "eighth." **Price**—\$10,084 to \$10,698 per unit. **Proceeds**—To purchase land in Arizona. **Office**—1802 North Central Ave., Phoenix, Ariz. **Underwriter**—O'Malley Securities Co., Phoenix. **Statement effective** Oct. 9.

Florida West Coast Corp. (1/25)

Dec. 21 (letter of notification) 300,000 shares of common stock (par 1 cent). **Price**—\$1 per share. **Proceeds**—For land acquisition. **Office**—30 E. 60th Street, New York City. **Underwriter**—Midtown Securities Corp., same address.

Formula 409, Inc.

Oct. 29 filed 300,000 shares of common stock (no par). **Price**—\$1.50 per share. **Proceeds**—For advertising, reduction of indebtedness, bottling equipment, payment of \$44,000 for acquisition of formula 409, a liquid degreaser, and office equipment. **Office**—10 Central Street, West Springfield, Mass. **Underwriter**—DiRoma, Alexik & Co., Springfield, Mass. **Offering**—Imminent.

Gallahue Naples Corp.

Dec. 17 filed 110,000 shares of class A stock, of which 75,000 shares are to be offered for the account of D. R. Gallahue, the issuer's President, and 35,000 shares are to be offered for the company itself. 55,000 of Gallahue's shares will be delivered in escrow, to be thus held until Dec. 31, 1961, for purchase of holders of transferable warrants to be issued by the company to buyers of the other 55,000 shares at the offering price. **Price**—To be supplied by amendment. **Proceeds**—To reduce indebtedness. **Office**—542 North Meridian Street, Indianapolis, Ind. **Underwriter**—Raffensperger, Hughes & Co., Inc., Indianapolis.

Gas Hills Uranium Co.

Oct. 28 filed 6,511,762 shares of common stock, of which 3,990,161 are to be offered for sale. The remaining 2,521,601 shares are owned or underlie options owned by officers and/or directors, affiliates, and associates of the issuing company. Of the shares to be sold, 415,000 shares are to be offered to holders of the outstanding common at the rate of one new share for each 20 shares held; 500,000 shares are to be offered in exchange for properties and services; 326,883 shares are to be offered to certain holders of the company's convertible promissory notes; and 2,748,278 shares are to be offered for the account of selling stockholders, of which number 655,500

shares represent holdings of management officials and affiliated persons. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the repayment of indebtedness. **Office**—604 South 18th Street, Laramie, Wyo. **Underwriter**—None.

Gence & Associates, Inc.

Nov. 13 (letter of notification) 100,000 shares of common stock (no par). **Price**—\$3 per share. **Proceeds**—To pay an outstanding obligation and for working capital. **Office**—1500 E. Colorado St., Glendale, Calif. **Underwriter**—California Investors, Los Angeles, Calif.

General Acceptance Corp., Allentown, Pa. (1/25-29)

Dec. 29 filed \$25,000,000 of senior debentures, due 1980. **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans, with the balance for working capital. **Underwriters**—Paine, Webber, Jackson & Curtis and Eastman Dillon, Union Securities & Co., both of New York City.

General Aluminum Fabricators, Inc.

Dec. 15 filed 75,000 shares of common stock, each share bearing a warrant entitling the purchaser to buy one share of common at \$4 until Jan. 30, 1961. **Price**—\$4 per share. To reduce indebtedness, with the balance for working capital. **Office**—275 East 10th Avenue, Hialeah, Fla. **Underwriter**—Charles Plohn & Co., of New York City, on a "best efforts" basis. **Offering**—Expected in January.

General Coil Products Corp.

Oct. 29 (letter of notification) 99,000 shares of common stock (par 10 cents). **Price**—\$3 per share. **Proceeds**—For automation of operations; working capital; additional equipment and machinery and research and development. **Office**—147-12 Liberty Ave., Jamaica, N. Y. **Underwriter**—A. T. Brod & Co., New York and Washington, D. C. **Offering**—Expected in two weeks (subject to Securities and Exchange Commission clearance).

General Contract Finance Corp.

Dec. 29 (letter of notification) 22,500 shares of common stock (par \$2) to be offered on the basis of 15 shares of the issuer for one share of common stock of the Topeka Morris Plan Co. **Price**—At-the-market on the New York Stock Exchange. **Proceeds**—To acquire 80% of outstanding stock of the Topeka Morris Plan Co. **Office**—901 Washington Avenue, St. Louis, Mo. **Underwriter**—None.

General Devices, Inc.

Jan. 6 filed 60,888 shares of common stock, to be offered for subscription by common stockholders on the basis of one new share for each five shares held. **Price**—To be supplied by amendment. **Proceeds**—For land, construction thereon, new equipment, debt reduction, and working capital. **Office**—Ridge Road, Monmouth Junction, N. J. **Underwriter**—Drexel & Co., Philadelphia, Pa.

General Electronic Laboratories, Inc.

Nov. 20 (letter of notification) an undetermined number of shares of class A common stock (par 33½ cents), amounting to approximately \$300,000 to be offered to officers, directors and employees of the company. **Proceeds**—For general corporate purposes, including machinery, equipment and working capital. **Office**—195 Massachusetts Avenue, Cambridge, Mass. **Underwriter**—Kidder, Peabody & Co., Inc., Boston, Mass. on a "best efforts" basis.

General Finance Corp.

Sept. 11 filed 150,000 shares of common stock. **Price**—\$3 per share. **Proceeds**—For working capital, with \$15,000 being allocated for lease improvements and equipment and supplies. **Office**—Santurce, Puerto Rico. **Underwriter**—Caribbean Securities Co., Inc., Avenida Condado 609, Santurce, Puerto Rico. The statement has been withdrawn, and the filing of a new one is said by the underwriter to be imminent.

General Foam Corp.

Jan. 7 filed 175,000 shares of common stock. **Price**—\$4 per share. **Proceeds**—To enable issuer to enter synthetic foam manufacturing business. **Office**—640 W. 134th Street, New York City. **Underwriters**—Brand, Grumet & Seigel, Inc., and Arnold Malkan & Co., Inc., on a "best efforts" basis.

General Public Utilities Corp.

Nov. 24 filed 1,115,000 additional shares of common stock (par \$2.50) being offered to common stockholders of record Dec. 30, 1959, on the basis of one new share for each 20 shares so held; rights to expire on Jan. 19, 1960. **Price**—\$22 per share. **Proceeds**—To pay short-term bank loans, and the balance will be added to the general funds of the company. **Underwriter**—None, but dealers may sell unsubscribed shares and solicit subscriptions.

Glass Magic, Inc.

Dec. 30 (letter of notification) \$51,000 of six-year 6½% convertible debentures to be offered in denominations of \$51 each. Debentures are convertible into common stock at \$1.50 per share. Also, 68,000 shares of common stock (par 10 cents) to be offered in units of one \$51 debenture and 68 shares of common stock. **Price**—Of debentures, at par; of stock, \$102 per unit. **Proceeds**—To pay off current accounts payable; purchase of raw materials and for expansion. **Office**—2730 Ludelle Street, Fort Worth, Texas. **Underwriter**—R. A. Holman & Co., Inc., New York, N. Y.

Glastron Boat Co.

Jan. 11 filed \$600,000 of 6% sinking fund debentures, due Jan. 15, 1966, and 60,000 shares of common stock, to be offered in units consisting of \$100 of debentures and 10 shares of common stock. **Price**—\$100 per unit. **Proceeds**—For additional plant facilities, including land and production equipment, and debt reduction. **Office**—920 Justin Lane, Austin, Texas. **Underwriters**—Hardy & Co., New York City, and Underwood, Neuhaus & Co., Houston, Texas.

Gold Medal Packing Corp.

June 18 filed 572,500 shares of common stock (par one cent), and 50,000 common stock purchase warrants. Of the shares 400,000 will be sold for the account of the company; 110,000 by certain stockholders; 12,500 for the underwriter; and the remaining 50,000 shares are purchasable upon exercise of the warrants. **Price**—\$1.25 per share. **Proceeds**—For repayment of debt; purchase of equipment and facilities and other general corporate purposes. **Office**—614 Broad St., Utica, N. Y. **Underwriter**—Mortimer B. Burnside & Co., New York. **Name Change**—Formerly Eastern Packing Corp.

Gold Medal Studios, Inc.

Sept. 18 filed 500,000 shares of common stock (par 10 cents). **Price**—\$1 per share. **Proceeds**—For general corporate purposes, including the purchase of additional studio equipment, investing in properties in the entertainment field, and the provision of funds for a down payment on another building or buildings. **Office**—807 E. 175th Street, New York, N. Y. **Underwriter**—Arnold Malkan & Co., Inc., New York. **Offering**—Expected any day.

Great American Publications, Inc.

Dec. 23 filed 235,000 shares of common stock, of which the company proposes to offer 218,000 shares for sale initially to stockholders (other than officers, directors and principal stockholders). Shares not purchased by stockholders and 4,500 shares purchased by the underwriter (Smith, Holly & Co., Inc.) at 10c per share are to be publicly offered. The underwriter, however, has agreed to purchase only 30,000 shares and to use its best efforts in the distribution of the remaining 188,000 shares. The remaining 12,500 shares are being registered for the account of Mortimer B. Burnside & Co., Inc., in consideration of its release of certain rights under prior underwriting agreements. **Price**—To be supplied by amendment. **Proceeds**—For additional working capital; for retirement of short-term indebtedness; and for promotion and development of its various publications. **Office**—270 Madison Ave., N. Y. **Underwriter**—Smith, Holly & Co., Inc., New York. **Note**—A year-end 4% stock dividend has been declared payable Jan. 22 to holders of record Jan. 8.

Great Lakes Bowling Corp.

Aug. 31 filed 120,000 shares of common stock (par \$1). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including the development of bowling lanes, bars, and restaurants on various Michigan properties. **Office**—6336 Woodward Ave., Detroit, Mich. **Underwriter**—Straus, Blosser & McDowell, Chicago, Ill. **Offering**—Expected sometime after Jan. 1, 1960.

Green River Production Corp.

Oct. 15 (letter of notification) 200,000 shares of common stock (par 50 cents). **Price**—\$1.50 per share. **Proceeds**—For expenses for exploring for oil and gas. **Office**—212 Sixth Ave., South, Nashville, Tenn. **Underwriter**—Crescent Securities Co., Inc., Bowling Green, Ky.

Greer Hydraulics, Inc.

Nov. 27 filed 250,000 additional shares of common stock (\$.50 par) to be offered for subscription by holders of the outstanding common. **Price**—To be supplied by amendment. **Office**—Jamaica, L. I., N. Y. **Proceeds**—To relocate company in Los Angeles, with the balance to be used for general corporate purposes, including the reduction of indebtedness. **Underwriter**—Burnham & Co., New York City. **Offering**—Expected in January.

Guaranty Insurance Agency, Inc.

See, Mortgage Guaranty Insurance Corp., below.

Guardian Tilden Corp.

Dec. 17 filed 100,000 shares of cumulative preferred stock (par \$10), \$1,060,000 of 15-year 8% subordinated capital notes, and \$1,250,000 of 12-year 7% subordinated capital notes. **Prices**—At par and principal amounts. **Proceeds**—For general corporate purposes. **Office**—45-14 Queens Boulevard, Long Island City, N. Y. **Note**: The securities are to be offered first to holders of securities in Guardian Loan Co., Inc. and Tilden Commercial Alliance, Inc., subsidiaries of the issuing company. **Underwriter**—None.

Hardfacing Alloys, Inc.

Dec. 31 (letter of notification) 20,000 shares of 7% convertible preferred stock (par \$10) and 100,000 shares of common stock (par \$1) to be offered in units of one share of preferred and five shares of common. **Price**—\$15 per unit. **Proceeds**—To purchase machinery and equipment, transportation and installation, raw and finished material inventory, and for working capital. **Office**—Two Ryland Street, Reno, Nev. **Underwriter**—None.

(B. M.) Harrison Electronics, Inc. (1/15)

Sept. 25 filed 133,000 shares of common stock (no par). **Price**—\$3 per share. **Proceeds**—For general corporate purposes, including the reduction of indebtedness and the provision of funds to assist the company's expansion into the civilian market. **Office**—Newton Highlands, Mass. **Underwriter**—G. Everett Parks & Co., Inc., 52 Broadway, New York City.

Harundale Mail Associates

Jan. 7 filed \$1,190,000 of partnership interests in Associates. **Price**—\$10,000 per unit. **Proceed**—To acquire one-half interest in Harundale Mall, a regional shopping center in Anne Arundel County, Maryland. **Office**—14 West Saratoga Street, Baltimore, Md. **Underwriter**—None.

Hebrew National Kosher Foods, Inc.

Dec. 11 filed 350,000 shares of common stock, of which 175,000 shares are to be offered for the account of the issuing company, and 175,000 shares, representing outstanding stock, are to be offered for the account of the present holders thereof. **Price**—\$4 per share. **Proceeds**—For general corporate purposes. **Office**—178 South

Elliott Place, Brooklyn, N. Y. **Underwriters**—Brand, Grumet & Seigel, Inc., and Arnold Malkan & Co., Inc., both of New York City, on a "best efforts" basis.

Hermetite Corp.

Jan. 8 filed 136,000 shares of common stock, of which 125,000 are to be publicly offered and 11,000 have been already acquired at \$1 per share by the President of M. L. Lee & Co. **Price**—\$5 per share. **Proceeds**—For general corporate purposes. **Office**—702 Beacon Street, Boston, Mass. **Underwriters**—M. L. Lee & Co., Inc.; Milton D. Blauner & Co., Inc.; and Kesselman & Co., Inc., all of New York City, on an "all or nothing" basis.

Hickerson Bros. Truck Co., Inc.

March 11 (letter of notification) 285,000 shares of common stock. **Price**—At par (\$1 per share). **Proceeds**—To pay existing liabilities; for additional equipment; and for working capital. **Office**—East Tenth Street, P. O. Box 68, Great Bend, Kan. **Underwriter**—Birkenmaye & Co., Denver, Colo. **Offering**—Expected shortly.

Hi-Press Air Conditioning Corp. of America

Dec. 29 filed 200,000 shares of common stock. **Price**—\$3 per share. **Proceeds**—For working capital. **Office**—405 Lexington Ave., New York City. **Underwriter**—Plymouth Securities Corp., New York City.

Home Oil Co., Ltd.

Dec. 16 filed 235,000,000 of convertible subordinated debentures, due Jan. 15, 1975, and convertible into common stock of Trans-Canada Pipe Lines Ltd. (about 20% owned by Home Oil) beginning Aug. 1, 1960. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including reduction of indebtedness. **Underwriters**—Lehman Brothers, New York City, will manage the American group and Wood, Gundy & Co. Ltd., of Toronto, the Canadian one.

Horne's Enterprises, Inc.

Dec. 16 filed 235,000 shares of common stock (par \$1), to be publicly offered and 45,000 shares reserved for issuance to employees. **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes, including expansion. **Office**—Bayard, Fla. **Underwriters**—Pierce, Carrison, Wulbern, Inc., Jacksonville, Fla., and Johnson, Lane, Space Corp., Savannah, Ga.

Howe Plastics & Chemical Companies, Inc.

Dec. 14 (letter of notification) 100,000 shares of common stock (par one cent). **Price**—\$1 per share. **Proceeds**—For general corporate purposes. **Office**—125 E. 50th Street, New York, N. Y. **Underwriter**—Hilton Securities, Inc., 580 Fifth Avenue, New York, N. Y.

I C Inc.

June 29 filed 600,000 shares of common stock (par \$1). **Price**—\$2.50 per share. **Proceeds**—To further the corporate purposes and in the preparation of the concentrate and franchising of bottlers, the local and national promotion and advertising of its beverages, and where necessary to make loans to such bottlers, etc. **Office**—704 Equitable Bldg., Denver, Colo. **Underwriters**—Purvis & Co. and Amos C. Sudler & Co., both of Denver, Colo.

Integrand Corp. (1/19)

Oct. 13 filed 85,000 shares of common stock (par 5c). **Price**—\$4 per share. **Proceeds**—For general corporate purposes, including the redemption of outstanding preferred stock and new plant equipment. **Office**—Westbury, L. I., N. Y. **Underwriter**—DiRoma, Alexik & Co., Springfield, Mass.

International Aspirin Corporation

Dec. 7 filed 600,000 shares of common stock. **Price**—\$3 per share. **Proceeds**—For general corporate purposes. **Office**—1700 Broadway, Denver, Colo. **Underwriter**—Speculative Securities Corp., 915 Washington Street, Wilmington, Del., on a "best efforts" basis.

International Bank, Washington, D. C.

Dec. 29, 1958, filed \$5,000,000 of notes (series B, \$500,000, 2-year, 3% per unit; series C, \$1,000,000 4-year 4% per unit; and series D, \$3,500,000 6-year, 5% per unit). **Price**—100% of principal amount. **Proceeds**—For working capital. **Underwriter**—Johnston, Lemon & Co., Washington, D. C. **Offering**—Indefinitely postponed.

International Harvester Co.

Jan. 7 filed 266,064 shares of common stock, to be exchanged for the outstanding common stock of Solar Aircraft Co. on the basis of one Harvester share for 2 1/4 solar shares, the offer being conditional upon acceptance by holders of at least 80% of the Solar shares. **Office**—180 North Michigan Avenue, Chicago, Ill.

Investment Trust for the Federal Bar Bldg.

Aug. 14 filed 500 Beneficial Trust Certificates in the Trust. **Price**—\$2,600 per certificate. **Proceeds**—To supply the cash necessary to purchase the land at 1809-15 H St., N. W., Washington, D. C., and construct an office building thereon. **Office**—Washington, D. C. **Underwriters**—Hodgdon & Co. and Investors Service, Inc., both of Washington, D. C.; and Swesnick & Blum Securities Corp.

Island Industries, Inc.

Nov. 23 (letter of notification) \$200,000 of 10-year 10% registered debentures. **Price**—\$100 per debentures. **Proceeds**—For general corporate purposes. **Office**—30 E. Sunrise Highway, Lindenhurst, N. Y. **Underwriter**—Heft, Kahn & Infante, Inc., Hempstead, L. I., N. Y.

Jonker Business Machines, Inc.

Dec. 24 (letter of notification) 10,000 shares of class A common stock (no par) and 30,000 shares of class B common stock (no par) to be offered in units consisting of one share of class A and three shares of class B stock. **Price**—\$30 per unit. **Proceeds**—To pay off current liabilities; improvement; development work and for operating capital. **Office**—414 N. Frederick Avenue Gaithersburg, Md. **Underwriter**—Hodgdon & Co., Washington, D. C.

Kansas Gas & Electric Co. (1/19)

Nov. 20 filed 200,000 shares of common stock (no par). **Proceeds**—For the construction of electric facilities and for other corporate purposes. **Underwriter**—To be determined by competitive bidding. Probable bidders: Merrill Lynch, Pierce, Fenner & Smith Inc., Kidder, Peabody & Co. and White, Weld & Co. (jointly); Eastman Dillon, Union Securities & Co., Glore, Forgan & Co. and Goldman, Sachs & Co. (jointly). **Bids**—Expected to be received up to 11 a.m. (EST) on Jan. 19 at Room 2033, Two Rector Street, New York 6, N. Y.

Kavanagh-Smith & Co.

Dec. 30 filed 145,000 shares of common stock, of which 115,000 shares are to be offered for the account of the issuing company and 30,000 shares, representing outstanding stock, are to be offered for the accounts of the present holders thereof. **Prices**—For 20,000 shares, to be initially offered to company personnel, \$4.50 per share; for the balance, \$5 per share. **Proceeds**—For the retirement of \$166,850 of bank indebtedness, acquisition and development of land, construction of houses for sale, and general corporate purposes. **Office**—114 North Greene Street, Greensboro, N. C. **Underwriter**—United Securities Co., Greensboro.

Lafayette Radio Electronics Corp.

Dec. 4 filed 225,000 shares of common stock (\$1 par). **Price**—\$5 per share. **Proceeds**—For general corporate purposes including inventory, leasehold improvements, and working capital. **Office**—165-08 Liberty Avenue, Jamaica, L. I., N. Y. **Underwriter**—D. A. Lomasney & Co., New York City. **Offering**—Expected in late February.

Lake Aircraft Corp., Sanford, Me.

Nov. 20 filed 135,000 shares of class A common stock (par 10 cents). **Price**—\$3 per share. **Proceeds**—To repay \$25,000 indebtedness to the Sanford Trust Co., for remaining payment on purchase by the company of certain assets of Colonial Aircraft Corp., and for other corporate purposes. **Underwriter**—Mann & Gould, Salem, Mass.

Lancer Industries, Inc.

Nov. 27 filed 200,000 shares of \$.70 convertible preferred stock (par \$10). **Price**—\$10 per share. **Proceeds**—For general corporate purposes. **Office**—22 Jericho Turnpike, Mineola, L. I., N. Y. **Underwriter**—Charles Plohn & Co., New York City. **Offering**—Expected in January.

Landsverk Electrometer Co.

Dec. 28 (letter of notification) 150,000 shares of common stock (no par). **Price**—\$2 per share. **Proceeds**—To cover the cost of new quarters and for the development of new projects and for working capital. **Office**—641 Sonora Avenue, Glendale, Calif. **Underwriter**—Holton, Henderson & Co., Los Angeles, Calif.

Lawn Electronics Co., Inc.

Nov. 25 (letter of notification) 133,000 shares of common stock (par one cent). **Price**—\$1.50 per share. **Proceeds**—For general corporate purposes. **Office**—Woodward Road, Englishtown, N. J. **Underwriter**—Prudential Securities Corp., Staten Island, N. Y.

Laymen Life Insurance Co.

Nov. 30 filed 175,000 shares of common stock (par \$1), of which 35,000 shares are to be offered by company and 140,000 shares are to be offered by Laymen of the Church of God, with which the company is merging. **Price**—To be supplied by amendment. **Proceeds**—For working capital. **Office**—1047 Broadway, Anderson, Indiana. **Underwriter**—To be supplied by amendment.

Levitt & Sons, Inc., Levittown, N. J.

Dec. 28 filed 600,000 outstanding shares of its capital stock. **Price**—To be supplied by amendment; it will reportedly be about \$10 per share. **Proceeds**—To William J. Levitt, President (selling stockholder). **Underwriter**—Ira Haupt & Co., New York.

Lockhart Corp.

Dec. 14 filed 100,000 outstanding shares of common stock. **Price**—To be supplied by amendment. **Proceeds**—To selling stockholders. **Office**—359 South Main Street, Salt Lake City, Utah. **Underwriter**—Schwabacher & Co., San Francisco, Calif.

Louisiana Gas Service Co. (1/19)

Dec. 4 filed \$7,500,000 of first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co.; Merrill Lynch, Pierce, Fenner & Smith Inc., and Kidder, Peabody & Co. (jointly); Salomon Bros. & Hutzler; Eastman Dillon, Union Securities & Co., and Equitable Securities Corp. (jointly). **Bids**—Expected to be received on Jan. 19.

Macin, Inc.

Dec. 29 (letter of notification) \$300,000 of 6% sinking fund debentures, series A, convertible between Jan. 1, 1965 and Dec. 31, 1969 due Jan. 1, 1975. **Price**—At face amount. **Proceeds**—For partial payment for a lime and limestone producing plant, research and development, and working capital. **Office**—156 N. Main Street, Butler, Pa. **Underwriter**—None.

(G. B.) Macke Corp., Washington, D. C.

Dec. 29 filed 125,000 shares of class A common stock, of which 105,000 shares are to be publicly offered and 20,000 shares offered to employees. **Price**—For the publicly offered shares the price will be supplied by amendment. For the shares to be offered to employees the price per share will be \$9.50 in cash or \$9.75 if the purchase price is paid through wage deductions. **Proceeds**—For general corporate purposes. **Underwriter**—Auchincloss, Parker & Redpath, Washington, D. C.

Magnuson Properties, Inc.

June 29 filed 500,000 shares of class A common stock (amended on Aug. 24 to 150,000 shares of 6 1/2% cumulative convertible preferred stock, par \$10), and 150,000 shares of class A common stock, par \$1, with common

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stock purchase warrants. Each share of class A common stock carries one warrant entitling the registered holder to purchase one share of such common stock at an initial price of \$11 per share. Price—For preferred, at par; and for class A, \$10.10 per share. Proceeds—\$291,099 is to be expended during the period ending Aug. 31, 1960 for mortgage payments and releases; \$465,000 will be paid on notes acquired by members of the Magnuson family in the transfers of subsidiaries and properties to the company; \$106,000 will be used to close certain options and purchase contracts covering lands in the Melbourne-Cape Canaveral area; the balance will be added to the general funds of the company and used for general corporate purposes. Office—20 S. E. 3rd Ave., Miami, Fla. Underwriter—Blair & Co. Inc., New York.

Marine Fiber-Glass & Plastics, Inc.
Nov. 30 (letter of notification) 200,000 shares of common stock (par 10 cents). Price—\$1.50 per share. Proceeds—For new plant expenditures, research and development and for working capital. Office—2901 Blakely Street, Seattle 2, Wash. Underwriter—Best Securities, Inc., New York, N. Y.

Marsh Foodliners, Inc.
Dec. 28 (letter of notification) 13,950 shares of common stock (no par) to be offered to employees of the company through payroll deductions. Price—\$21.50 per share. Proceeds—For working capital. Office—Yorktown, Ind. Underwriter—Blyth & Co., Inc., Chicago, Ill.

Mass. Investors Growth Stock Fund, Inc.
Jan. 8 filed an additional 7,000,000 shares of stock. Proceeds—For investment. Office—Boston, Mass.

Micronaire Electro Medical Products Corp.
(1/25)
Oct. 16 filed 200,000 shares of common stock (par 10 cents) and 50,000 one-year warrants for the purchase of such stock at \$3 per share, to be offered in units of 100 shares of common stock and 25 warrants. Price—\$275 per unit. Proceeds—For general corporate purposes, including the discharge of indebtedness, the expansion of sales efforts, and for working capital. Office—79 Madison Avenue, New York City. Underwriter—General Investing Corp., New York.

Midwestern Financial Corp.
Nov. 9 filed 250,000 shares of common stock (par \$1). Price—To be supplied by amendment. Proceeds—To pay the \$1,360,000 balance to Majestic Mortgage Co. due in connection with the issuing company's acquisition of all of the outstanding stock of Majestic Savings & Loan Association, with about \$650,000 to be used for capital contributions to its savings and loan associations and for loans to other subsidiaries, \$51,000 to be used to repay principal and interest on a short-term bank loan, and \$55,000 to be used as additional working capital. Office—2015 13th Street, Boulder, Colo. Underwriters—W. R. Staats & Co., Los Angeles, Calif., and Boettcher & Co. and Bosworth, Sullivan & Co., Inc., both of Denver, Colo.

Minalaska, Inc.
Dec. 21 (letter of notification) 200,000 shares of common stock (par 10 cents). Price—\$1.50 per share. Proceeds—For mining expenses. Office—Ophir, Alaska. Underwriter—B. D. McCormack Securities Corp., New York, N. Y.

Mohawk Airlines Inc.
Nov. 9 filed \$3,500,000 of 6% convertible subordinated debentures, due Dec. 1, 1974, \$1,917,500 of which are to be offered in exchange for a like amount of company's outstanding 5½% convertible subordinated debentures, due 1966. The remainder, plus any not taken in the exchange offer, are to be publicly offered. Price—To be supplied by amendment. Proceeds—For general corporate purposes, including debenture redemption, airplane equipment, and working capital. Office—Utica, N. Y. Underwriter—Dempsey-Tegeler & Co., St. Louis, Mo. Offering—Expected middle of January.

Monte-Copter, Inc.
Jan. 4 (letter of notification) 30,080 shares of common stock (no par). Price—\$6 per share. Proceeds—To complete testing the present model helicopter. Address—Box 67—Boeing Field, Seattle 8, Wash. Underwriter—None.

Montgomery Mortgage Investment Corp.
Oct. 16 filed \$3,000,000 of second mortgage notes and accompanying repurchase agreements, to be offered in \$3,000 units. Price—From \$2,000 to \$4,000 per unit. Proceeds—To purchase other second trust notes and to maintain a reserve for repurchase of notes under its repurchase agreements. Office—11236 Georgia Avenue, Silver Spring, Md. Underwriter—There is no underwriter as such, but Adrienne Investment Corp., an affiliate of the issuing company, will act as sales agent, for which it will receive a selling commission of 7%.

Montmartre Hotel, New York City
Dec. 29 filed \$1,234,000 of limited partnership interests, to be offered for sale in \$6,000 units.

Montreal Metropolitan Corp. (1/26)
Dec. 23 filed \$30,000,000 of sinking fund debentures, due Feb. 1, 1985, to be redeemable at the option of the issuer on or after Feb. 1, 1970. Price—To be supplied by amendment. Proceeds—To repay bank loans incurred for construction. Office—Quebec, Canada. Underwriters—First Boston Corp. and associates.

Morse Electro Products Corp.
Dec. 28 filed 120,000 shares of common stock. Price—\$7 per share. Proceeds—Together with other funds, will be used for the opening of three additional retail stores, and for additional working capital. Office—122 West 26th Street, New York. Underwriters—Standard Securities Corp. and Irving Weiss & Co., both of New York, on an all-or-nothing basis.

Munston Electronic Manufacturing Corp.
Nov. 9 (letter of notification) 50,000 shares of common stock (par 10 cents). Price—\$6 per share. Proceeds—For general corporate purposes. Office—Beech Street, Islip, N. Y. Underwriter—Heft, Kahn & Infante, Inc., Hempstead, N. Y. Offering—Expected in January.

Murphy Corp.
Jan. 11 filed 95,800 shares of common stock, of which 93,925 shares are to be offered in exchange for 751,400 class A common shares of Amurex Oil Co., and the remaining 1,875 shares are to be offered in exchange for 150,000 class B common shares of said company, the offer being conditional upon its acceptance by holders of an aggregate of 571,400 Amurex shares. Office—El Dorado, Ark. Underwriter—A. G. Becker & Co., Inc., of Chicago, will form and manage a group of dealers who will solicit acceptances of the offer.

Murphy Finance Co.
Dec. 21 filed 100,000 shares of common stock (par \$10). Price—To be supplied by amendment. Proceeds—For working capital and debt reduction. Office—174 E. 6th St., St. Paul, Minn. Underwriter—Piper, Jaffray & Hopwood, Minneapolis, Minn.

Mutual Credit Corp.
Oct. 6 (letter of notification) \$300,000 of 6½% convertible subordinated debentures, series A, due Oct. 1, 1969. Debentures are convertible at any time through Oct. 1, 1968 into class A non-voting common stock (par \$5) at the rate of 100 shares of such stock for each \$500 of debentures converted. Price—At face amount. Proceeds—For the general funds of the company. Office—c/o Raymond F. Wentworth, 6 Milk St., Dover, N. H. Underwriter—Eastern Investment Corp., Manchester, N. H.

Narda Microwave Corp.
June 16 filed 50,000 shares of common stock (par 10 cents) and 50,000 warrants to be offered in units, consisting of one share of common stock with attached warrant entitling the holder to purchase one additional share. The statement also includes an additional 10,000 shares of common stock reserved for issuance to key employees pursuant to options. Price—To be supplied by amendment. Proceeds—To be used to retire bank loans. Underwriter—Milton D. Blauner & Co., Inc., New York. Indefinitely postponed.

National Equipment Rental, Ltd.
Dec. 30 filed \$2,000,000 of 6% subordinated sinking fund debentures, due Feb. 1, 1970, with common stock purchase warrants attached, and 207,500 shares of common stock, of which 127,500 shares of the common are to be offered for the account of selling stockholders, 80,000 shares of the common are to be reserved for issuance upon the exercise of the warrants, and the remaining 100,000 common shares are to be offered in units with the debentures, each unit to consist of 10 common shares and \$200 principal amount of debentures. Price—\$250 per unit. Proceeds—For working capital, to be used for expansion. Office—Floral Park, L. I., N. Y. Underwriter—Burnham & Co., New York City.

New Brunswick (Province of)
Jan. 7 filed \$15,000,000 of 25-year sinking fund debentures, due Feb. 1, 1985. Proceeds—To be advanced to New Brunswick Electric Power Commission. Office—New Brunswick, Canada. Underwriters—Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., and W. C. Pitfield & Co., Inc., all of New York City.

North Carolina Telephone Co.
Sept. 4 filed 576,405 shares of common capital stock, to be offered for subscription by holders of outstanding stock in the ratio of two new shares for each five shares held. Price—\$2 per share. Proceeds—To reduce indebtedness with the balance, if any, to be used as working capital. Office—Matthews, N. C. Underwriter—One or more security dealers will be offered any shares not subscribed for at \$2 per share.

Nu-Era Corp.
Nov. 30 filed 275,000 shares of common stock, of which 200,000 are to be publicly offered. Price—\$3.75 per share. Proceeds—To reduce indebtedness and increase inventories of gears and mufflers. Office—342 South St., Rochester, Michigan. Underwriter—Mortimer B. Burnside & Co., Inc., on an "all or nothing best efforts" basis. The underwriter will receive \$15,000 for expenses, a \$7.75 per share selling commission on the 200,000 shares comprising the public offering, and the privilege of purchasing 37,500 shares of the common stock at \$1.10 per share. The 37,500 shares thus far unaccounted for are to be sold to John L. Appelbaum at \$1.10 per share in consideration of certain services rendered.

Oil, Gas & Minerals, Inc.
April 2 filed 260,000 shares of common stock (par 3 cents). Price—\$2 per share. Proceeds—To retire bank loans and for investment purposes. Office—513 International Trade Mart, New Orleans La. Underwriter—Assets Investment Co., Inc., New Orleans, La. The SEC "stop order" hearing has been postponed from Dec. 23 to Jan. 23.

Ovitron Corp., Detroit, Mich.
Oct. 27 filed 150,000 shares of common stock (par one cent). Price—\$6 per share. Proceeds—For research and working capital. Underwriter—Sutro Bros. & Co., New York.

Oxy-Catalyst, Inc.
Dec. 23 filed 28,637 shares of common stock. The company proposes to offer 11,372 shares for subscription by its common stockholders of record Jan. 15, 1960, upon the basis of one new share for each 50 shares then held. The remaining 17,265 shares are to be offered to certain officers and employees of the company upon the exercise of options to purchase said shares, the option price being \$9.35 as to 6,575 shares and \$11 as to 10,690. Price—For rights offering, to be supplied by amendment. Pro-

ceeds—For additional working capital. Office—511 Old Lancaster Road, Berwyn, Pa. Underwriter—None.

Pacific Centers Inc. (1/20)
Dec. 22 (letter of notification) 73,750 shares of common stock (no par). Price—\$4 per share. Proceeds—For construction of a shopping center in San Jose, Calif. Office—Patterson Building, Carmel, Calif. Underwriter—Binder & Co., Los Angeles 46, Calif.

Pacific Fasteners Corp.
Nov. 27 filed 150,000 shares of capital stock (par 50 cents). Price—\$2 per share. Proceeds—For new equipment and machinery and working capital. Office—640 E. 61st Street, Los Angeles, Calif. Underwriter—Holton, Henderson & Co., Los Angeles.

Pacific Gold, Inc.
Dec. 9 (letter of notification) 75,000 shares of common stock. Price—At par (\$1 per share). Proceeds—For mining expenses. Office—404 Mining Exchange Building, Colorado Springs, Colo. Underwriter—Birkenmayer & Co., Denver, Colo.

Pantasote Co.
Jan. 8 filed 350,000 shares of common stock. Price—To be supplied by amendment. Proceeds—For new plant (to be built by Scientific Design Co., Inc.) and equipment and "start-up" expenses pertaining thereto, with the balance, if any, to be used as working capital. Office—26 Jefferson St., Passaic, N. J. Underwriter—Bear, Stearns & Co., New York City.

Pathe News, Inc.
Sept. 17 filed 400,000 shares of common stock (par 10 cents) with warrants to purchase an additional 100,000 common shares at \$3.25 per share. Price—\$3.75 per share, with warrants. Proceeds—For general corporate purposes, including the addition of working capital, the reduction of indebtedness, and the provision of the \$173,000 cash required upon the exercise of an option to purchase the building at 245-249 W. 55th St., New York City. Office—245 W. 55th Street, New York. Underwriter—Hilton Securities, Inc., formerly Chauncey, Walden, Harris & Freed, Inc., New York. Offering—Expected in about 30 days.

Phillips Developments, Inc.
Dec. 21 filed 400,000 shares of common stock (par \$1). Price—To be supplied by amendment. Proceeds—For property development, possible acquisitions, and working capital. Office—1111 West Foothill Blvd., Azusa, Calif. Underwriters—Allen & Co., Bear, Stearns & Co., and Sutro Bros. & Co., all of New York City.

Pilgrim National Life Insurance Co. of America
Sept. 17 filed 100,000 shares of common stock (par \$1), of which 55,000 shares are to be offered first to stockholders of record Aug. 31, 1959, and 45,000 shares (minimum) are to be offered to the public, which will also be offered any shares unsubscribed for by said stockholders. Price—\$5 per share. Proceeds—For general corporate purposes, possibly including the enabling of the issuing company to make application for licenses to conduct its insurance business in States other than Illinois, the sole State in which it is presently licensed. Office—222 W. Adams Street, Chicago, Ill. Underwriter—None. Statement effective Nov. 4.

Pioneer Finance Co.
Dec. 7 filed 65,000 shares of convertible preferred stock (par \$25), being offered to holders of the outstanding common on the basis of one preferred share for each 10 common shares held on Jan. 6; rights are scheduled to expire Jan. 20. Price—\$25 per share. Proceeds—For general corporate purposes. Office—1400 First National Bank Bldg., Detroit, Mich. Underwriters—White, Weld & Co., Inc., New York City, and Watling, Lerchen & Co., Detroit, Mich.

Precision Transformer Corp., Chicago
Dec. 29 filed \$700,000 of 6½% subordinated convertible debentures, due 1970, with attached warrants to purchase 28,000 common shares; and warrants for the purchase of 125,000 common shares, which may be issued to company-connected people; and 150,000 common shares. Prices—For the debentures, par; for the common, the price will be supplied by amendment. Proceeds—For debt reduction, plant construction, and equipment. Underwriter—John R. Boland & Co., Inc., New York City, who will work on a "best efforts" basis and receive a commission of \$120 per \$1,000 debentures sold.

Prudential Commercial Corp.
Oct. 21 (letter of notification) 150,000 shares of common stock (par one cent). Price—\$2 per share. Proceeds—For general corporate purposes. Office—City of Dover, County of Kent, Del. Underwriter—All State Securities Inc., 80 Wall Street, New York, N. Y.

Puget Park Corp.
Jan. 6 filed 125,650 shares of common stock. Price—\$6.50 per share. Proceeds—To buy land and reduce indebtedness. Office—Seattle, Wash. Underwriter—Hill, Darlington & Co., of Seattle and New York City.

Reserve Insurance Co., Chicago, Ill.
Oct. 20 filed 110,837 shares of capital stock, of which 62,676 are to be sold for the company's account and 48,161 shares are to be sold for the account of certain selling stockholders. Price—To be supplied by amendment. Proceeds—To be added to the general funds of the company to enable it to finance a larger volume of underwriting and to expand its area of operations. Underwriter—A. G. Becker & Co. Inc., Chicago, Ill. This offering will not be made in New York State. Offering—Postponed indefinitely.

Ridge Citrus Concentrate, Inc.
Jan. 4 (letter of notification) 378 shares of common stock (no par). Price—\$162.92 per share. Proceeds—For working capital. Office—Davenport, Fla. Underwriter—None.

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with the \$40,000,000 remainder expected to be internally generated. **Proceeds**—The offering now "in the works" is expected to liquidate bank loans of about \$13,000,000 the company will have outstanding as of the end of this year, in addition to about \$2,250,000 of bank loans undertaken in order to call in the preferred stock of Brooklyn Borough Gas Co., acquired by consolidation last June. This company had about 100,000 meters in the Coney Island (N. Y.) area. **Office**—176 Remsen Street, Brooklyn 1, N. Y. **Note**: Stockholders meet on Feb. 9.

(J. I.) Case Credit Corp.

It was reported in early January that the company is planning new financing in a few months, possibly through privately-placed notes. **Office**—700 State Street, Racine, Wis.

Consolidated Research & Mfg. Corp.

Dec. 16 it was reported that this firm, founded last August as a Delaware corporation, plans its first public financing in the form of a common stock offering scheduled for next spring. **Business**—The company produces spray containers to combat ice, snow, and fog. **Proceeds**—For expansion. **Office**—1184 Chapel St., New Haven, Conn. **President**—Marvin Botwick.

Dayton Power & Light Co.

Dec. 30 it was announced that the company plans the filing of about \$25,000,000 of 30-year first mortgage bonds. **Proceeds**—Will be used to repay \$18,000,000 of temporary bank loans and to defray part of the cost of the company's 1960 construction program. **Underwriter**—To be determined by competitive bidding. **Bids**—Expected to be opened in the latter part of February.

Duquesne Light Co. (2/24)

Dec. 2 it was announced by Philip A. Fleger, President and Board Chairman, that the utility's sole financing in 1960 is expected to consist of \$20,000,000 of non-convertible debentures. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co.; Eastman Dillon, Union Securities & Co.; A. C. Allyn & Co., Inc. and Ladenburg, Thalmann & Co. (jointly); White, Weld & Co.; The First Boston Corp. and Gore, Forgan & Co. (jointly); Blyth & Co., Inc.; Drexel & Co. and Equitable Securities Corp. (jointly).

Englehard Industries, Inc.

Dec. 2 it was reported that this Newark, N. J., corporation might make an announcement in the next two weeks concerning a forthcoming issue of common stock. Although no confirmation has been forthcoming, it is understood that auditors visited the company in late December. Registration is still believed likely in the near future.

Georgia Power Co. (11/3)

Dec. 9 it was announced that the company plans registration of \$12,000,000 of 30-year first mortgage bonds

with the SEC. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Equitable Securities Corp., and Eastman Dillon, Union Securities & Co. (jointly); Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); The First Boston Corp. **Registration**—Scheduled for Sept. 26. **Bids**—Expected to be received on Nov. 3. **Information Meeting**—Scheduled for Oct. 31.

Gulf Power Co. (7/7)

Dec. 9 it was announced that the company plans registration with the SEC of \$5,000,000 first mortgage 30-year bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Equitable Securities Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly); Blyth & Co., Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc.; Salomon Bros. & Hutzler, and Drexel & Co. (jointly); Eastman Dillon, Union Securities & Co. **Information Meeting**—Scheduled for July 5, 1960. **Bids**—Expected to be received on July 7. **Registration**—Scheduled for June 3.

Gulf Power Co. (7/7)

Dec. 9 it was announced that the company plans registration of 50,000 shares of preferred stock (par \$100). **Underwriter**—To be determined by competitive bidding. Probable bidders: Harriman Ripley & Co.; Eastman Dillon, Union Securities & Co., and Salomon Bros. & Hutzler (jointly); Equitable Securities Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Information Meeting**—Scheduled for July 5, 1960. **Bids**—Expected to be received on July 7. **Registration**—Scheduled for June 3.

★ Harvey Aluminum Co., Torrance, Calif.

It was reported late last year that this firm—the old Harvey Machine Co.—is planning its initial public financing for the Spring. **Underwriters**—Kuhn, Loeb & Co. (managing) and Tucker, Anthony & R. L. Day, both of New York City.

Hawaiian Telephone Co.

Aug. 3 it was reported company received approval from the Territorial Public Utilities Commission to issue about \$4,500,000 of new bonds. Last bond issues were placed privately.

Mississippi Power Co. (3/17)

Dec. 9 it was announced that the company plans registration of \$4,000,000 of first mortgage 30-year bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kidder, Peabody & Co. and White, Weld & Co. (jointly); Merrill Lynch, Pierce, Fenner & Smith Inc.; Eastman Dillon, Union Securities & Co. and Equitable Securities Corp. (jointly). **Information Meeting**—March 14, 1960. **Bids**—Expected to be received on March 17. **Registration**—Scheduled for Feb. 11.

National Mail Order Co., Lansing, Mich.

Oct. 5 it was announced company plans to register an

issue of 100,000 shares of common stock (par 10 cents). **Price**—To be supplied by amendment. **Proceeds**—For expansion and working capital. **Office**—130 Shepard St., Lansing, Mich. **Underwriter**—To be named later in New York State.

Nedick's Stores, Inc.

Nov. 12 it was reported that the company is contemplating the placing in registration of 17,000 shares of common stock. About 66% of the issue will be sold for the company's account and the remaining 34% balance will be sold for the account of a selling stockholder. **Underwriter**—Van Alstyne, Noel & Co., New York.

South Carolina Electric & Gas Co.

June 22, S. C. McMeekin, President, announced plans to sell approximately \$8,000,000 of bonds in December, 1959. **Proceeds**—To repay bank loans incurred for current construction program. Previous issues have been placed privately. **Note**—On Dec. 31 Mr. McMeekin told this newspaper he does not know whether the bonds will be placed privately. He expects them to be sold this summer; the precise timing will be subject to market conditions.

Southern Electric Generating Co. (6/2)

Dec. 9 it was announced that this company plans registration with the SEC of \$40,000,000 of 30-year first mortgage bonds. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Merrill Lynch, Pierce, Fenner & Smith Inc., and Blyth & Co., Inc. (jointly); Morgan Stanley & Co.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Eastman Dillon, Union Securities & Co.; Equitable Securities Corp., and Drexel & Co. (jointly); The First Boston Corp. **Information Meeting**—Scheduled for May 31, 1960. **Bids**—Expected to be received on June 2. **Registration**—Scheduled for April 29.

Tampa Electric Co.

Sept. 14 it was reported that the company is planning the sale of about \$7,000,000 of additional common stock, probably in the form of a rights offering and a negotiated underwriting. Last rights offering was underwritten by Stone & Webster Securities Corp., New York.

Transcontinental Gas Pipe Line Corp.

Sept. 29 it was announced that the company plans to come to market twice in 1960 with the sale of first mortgage bonds, and common and preferred stock. **Proceeds**—To raise permanent funds for the financing of its 1960 expansion program. **Office**—Houston, Texas.

★ Transval Electronics Corp.

R. F. Downer, an official, announced on Jan. 8 that Norman C. Roberts Co., San Diego 1, Calif., and the Los Angeles office of Sutro & Co. (home office: San Francisco) "may be contacted regarding any and all inquiries with respect to the issuance and sale of Transval stock."

OUR REPORTER'S REPORT

Congressmen might find it enlightening to follow the trend of events in Treasury financing these days now that President Eisenhower has revived his request for modifying or eliminating the interest rate ceiling of 4¼% on government paper of longer than five-year maturity.

The Federal agency this week offered an issue of one-year discount bills for subscription. This type of security is definitely aimed at institutional, rather than individual investors. But obviously the public's appetite has been whetted by recent developments in the Treasury market which have taken short as well as long-term yields above the 5% level.

At any rate for a day in advance of the opening of bids for the new government issue, banks, including the Federal Reserve Bank, were besieged by individuals, both by mail and in person, who sought to participate.

Since the bidder fixes the yield on such an issue by the price he is willing to pay, the onslaught of the public caused no little confusion among those caught in the swirl of potential buyers.

But back of all the attendant fanfare one thing stood out for all, including the Congressmen, to see. That is that the Treasury apparently stands a pretty good chance of putting across a long-term funding issue provided it can fix a coupon rate that will give

the general public what it obviously wants—a yield in keeping with current prospective return to the buyer.

Congress, if it sidesteps politics, could lend a helping hand by yielding on the interest question.

Seasonal Demand

Presumably investors have been having more than a little difficulty in making up their minds what to do with funds available for the so-called "January reinvestment" operations. Certainly dividends and interest payments ran heavy over the year-end and the funds are in hand.

But, with everything in a state of flux, people and buyers for large aggregations of investment capital have been slow in making up their minds. There have been mild indications recently, however, that much of this money is headed into fixed-term investments.

Certainly it seems that such buying has been behind the hardening of the Treasury list and in the cleaning up that has been taking place in some recently slower-moving corporate new issues.

Getting a Lift

And there is not much question but that the broad and doubtless "healthy" reaction which encompassed the stock market in recent sessions has been a factor in making up some people's minds.

The nosedive of some 26 points before hitting anything in the way of an appreciable "cushion" or underlying demand no doubt was disturbing to investors. Put on a percentage basis the drop looks much less formidable, running to only about 3.8%.

But evidently it brought about some real thinking on the part of

people who were inclined earlier to veer away from bonds and toward equities.

Outpourings Light

The underwriting industry, except as it participates in tax-exempt operations, can rest on its oars next week and go ahead with its task of clearing shelves and cultivating customers.

For the new corporate issue calendar is light, and that is putting it mildly. Next Tuesday is the big day in the week with two small competitive bidding issues up for attention.

Kansas Gas & Electric Co. will be opening bids for 200,000 shares of additional common stock, and Louisiana Gas Service Co. will look over tenders for \$7,500,000 of new bonds. That's it for the week.

Quinn, Neu Sells Great Lakes Gas Common Stock

Quinn, Neu & Co., Inc., of 40 Exchange Place, New York City, have publicly sold 150,000 shares of common stock (par 25c) of Great Lakes Natural Gas Co., Inc.

The Erie, Pa., company intends using the proceeds for drilling wells and for working capital.

The James Co. Sells Insul-Cup Offering

The James Co., of 12 East 41st Street, New York City, has publicly offered and sold at \$1 per share 300,000 shares of common stock (one cent par) of Insul-Cup Corp. of America, located at 1916 Park Avenue, New York City. Books were closed on Jan. 6.

The proceeds are to be used for

existing liabilities, machinery and equipment; and for working capital.

F. I. duPont Appoints

SACRAMENTO, Calif. — Richard L. Pedder has been appointed Associate Manager of the Sacramento office of Francis I. duPont & Co., 1200 J Street.

Mr. Pedder has been associated as a registered representative with Francis I. duPont & Co. since November, 1958. In his new assignment he will assist Jack Claussen, Manager of the firm's Sacramento office, in an administrative capacity.

Bache Branch Manager

ROCHESTER, N. Y. — The appointment of Elliott J. Smith as Manager of the Rochester, N. Y. office of Bache & Co., members of the New York Stock Exchange, has been announced.

John Garland and Elmer Sheehan have been named Associate Managers of the branch which is located at 5 St. Paul Street.

Named Director

At the board of directors meeting of the Parke-Bernet Galleries, Inc., Louis A. Green, a partner in the investment banking firm of Stryker & Brown, was elected a director of the Galleries.

Centennial Management

DENVER, Colo. — Centennial Management and Research Corp. is engaging in a securities business from offices in the Boston Bldg. Ronald H. Macdonald III, is a principal of the firm.

New Revel Miller Branch

GLENDAL, Calif. — Revel Miller & Co. has opened a branch office at 102 North Brand Blvd., under the management of John F. Judd.

Filor, Bullard & Smyth Sells Plastics Issue

Filor, Bullard & Smyth and Hardy & Co. offered 150,000 shares of Admiral Plastics Corp. common stock at a price of \$4 per share on Jan. 12. The issue was oversubscribed and the books closed.

Net proceeds from sale of the common shares will be used by the Brooklyn, N. Y. company for the development and manufacture of new plastic products, for new packaging and decorating equipment, to defray expenses incurred in connection with moving to and setting up a new plant, and the balance of the proceeds will be added to working capital and used for general corporate purposes.

The 14-year-old corporation is engaged principally in the design, production and sale of a wide variety of houseware products and advertising specialties made of thermoplastic and thermo-setting materials. Houseware products include various types of food dishes, ice-trays, beverage coasters, ash-trays, soap dishes, phonograph record holders, a facial tissue dispenser and many other items. Advertising specialties made by the company are sold to restaurants, hotels, airlines and other businesses, primarily for giveaway purposes. These products include ash trays, highball stirrers, cocktail picks, steak markers and ball point pens.

With Robert J. Connell

(Special to The Financial Chronicle)

DENVER, Colo. — Russell W. Slade has become connected with Robert J. Connell, Inc., First National Bank Building. He was formerly with Purvis & Company.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

AMERICAN IRON AND STEEL INSTITUTE:					Latest	Previous	Month	Year	Latest	Previous	Year
Indicated Steel operations (per cent capacity)					Week	Week	Ago	Ago	Month	Month	Ago
Equivalent to—					95.3	95.3	96.3	74.6			
Steel ingots and castings (net tons)					Jan. 16		2,715,000	2,726,000	2,111,000		
AMERICAN PETROLEUM INSTITUTE:											
Crude oil and condensate output—daily average (bbls. of 42 gallons each)					Jan. 1	7,067,825	7,108,875	7,026,525	7,122,335		
Crude runs to stills—daily average (bbls.)					Jan. 1	18,369,000	8,266,000	7,983,000	8,256,000		
Gasoline output (bbls.)					Jan. 1	29,613,000	29,398,000	28,772,000	29,714,000		
Kerosene output (bbls.)					Jan. 1	3,216,000	2,756,000	2,600,000	3,080,000		
Distillate fuel oil output (bbls.)					Jan. 1	14,129,000	13,206,000	13,168,000	14,593,000		
Residual fuel oil output (bbls.)					Jan. 1	7,117,000	6,951,000	6,713,000	7,056,000		
Stocks at refineries, bulk terminals, in transit, in pipe lines—											
Finished and unfinished gasoline (bbls.) at—					Jan. 1	188,966,000	184,045,000	181,406,000	186,482,000		
Kerosene (bbls.) at—					Jan. 1	26,771,000	27,080,000	30,351,000	26,057,000		
Distillate fuel oil (bbls.) at—					Jan. 1	148,000,000	151,441,000	164,093,000	126,056,000		
Residual fuel oil (bbls.) at—					Jan. 1	49,938,000	50,451,000	53,898,000	60,525,000		
ASSOCIATION OF AMERICAN RAILROADS:											
Revenue freight loaded (number of cars)					Jan. 2	483,012	468,752	649,639	468,219		
Revenue freight received from connections (no. of cars)					Jan. 2	446,903	501,764	524,583	435,221		
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:											
Total U. S. construction					Jan. 7	\$231,400,000	\$191,000,000	\$293,700,000	\$259,989,000		
Private construction					Jan. 7	101,200,000	88,700,000	154,800,000	85,389,000		
Public construction					Jan. 7	130,200,000	102,300,000	138,900,000	174,600,000		
State and municipal					Jan. 7	88,900,000	89,400,000	98,700,000	144,106,000		
Federal					Jan. 7	41,300,000	12,900,000	40,200,000	30,494,000		
COAL OUTPUT (U. S. BUREAU OF MINES):											
Bituminous coal and lignite (tons)					Jan. 2	7,325,000	6,850,000	9,060,000	7,015,000		
Pennsylvania anthracite (tons)					Jan. 2	320,000	331,000	446,000	382,000		
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 = 100					Jan. 2	113	246	249	104		
EDISON ELECTRIC INSTITUTE:											
Electric output (in 000 kwh.)					Jan. 9	14,308,000	\$13,565,000	14,167,000	13,554,000		
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.:					Jan. 7	242	226	248	321		
IRON AGE COMPOSITE PRICES:											
Finished steel (per lb.)					Jan. 5	6.196c	6.196c	6.196c	6.196c		
Pig iron (per gross ton)					Jan. 5	\$66.41	\$66.41	\$66.41	\$66.41		
Scrap steel (per gross ton)					Jan. 5	\$41.50	\$41.17	\$42.50	\$40.17		
METAL PRICES (E. & M. J. QUOTATIONS):											
Electrolytic copper—											
Domestic refinery at—					Jan. 6	33.600c	34.150c	33.100c	28.600c		
Export refinery at—					Jan. 6	31.075c	31.525c	30.100c	27.100c		
Lead (New York) at—					Jan. 6	12.000c	12.000c	13.000c	13.000c		
Lead (St. Louis) at—					Jan. 6	11.800c	11.800c	12.800c	12.800c		
Zinc (delivered) at—					Jan. 6	13.000c	13.000c	13.000c	12.000c		
Zinc (East St. Louis) at—					Jan. 6	12.500c	12.500c	12.500c	11.500c		
Aluminum (primary pig, 99.5%) at—					Jan. 6	26.000c	26.000c	24.700c	24.700c		
Strait tin (New York) at—					Jan. 6	99.250c	98.750c	99.625c	98.875c		
MOODY'S BOND PRICES DAILY AVERAGES:											
U. S. Government Bonds					Jan. 12	80.67	79.56	81.65	85.84		
Average corporate					Jan. 12	83.40	83.53	84.04	90.20		
Aaa					Jan. 12	87.45	87.32	87.86	94.71		
Aa					Jan. 12	85.07	85.20	85.85	92.79		
A					Jan. 12	83.40	83.40	83.79	89.78		
Baa					Jan. 12	78.32	78.43	79.13	84.17		
Railroad Group					Jan. 12	81.42	81.17	81.78	88.40		
Public Utilities Group					Jan. 12	83.53	83.66	84.17	90.06		
Industrials Group					Jan. 12	85.46	85.72	85.98	92.20		
MOODY'S BOND YIELD DAILY AVERAGES:											
U. S. Government Bonds					Jan. 12	4.51	4.64	4.39	3.84		
Average corporate					Jan. 12	4.91	4.90	4.86	4.40		
Aaa					Jan. 12	4.60	4.61	4.57	4.09		
Aa					Jan. 12	4.78	4.77	4.72	4.22		
A					Jan. 12	4.91	4.91	4.88	4.43		
Baa					Jan. 12	5.33	5.32	5.26	4.85		
Railroad Group					Jan. 12	5.07	5.09	5.04	4.53		
Public Utilities Group					Jan. 12	4.90	4.89	4.85	4.41		
Industrials Group					Jan. 12	4.75	4.73	4.71	4.26		
MOODY'S COMMODITY INDEX					Jan. 12	377.5	376.4	395.1	384.2		
NATIONAL PAPERBOARD ASSOCIATION:											
Orders received (tons)					Dec. 31	**221,382	197,621	275,752	365,380		
Production (tons)					Dec. 31	**138,521	251,626	310,853	320,797		
Percentage of activity					Dec. 31	**44	78	91	55		
Unfilled orders (tons) at end of period					Dec. 31	**424,821	345,194	438,833	405,256		
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1949 AVERAGE = 100					Jan. 8	111.61	111.70	111.67	110.38		
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS											
Transactions of specialists in stocks in which registered—											
Total purchases					Dec. 18	2,529,380	2,781,990	2,695,570	2,785,000		
Short sales					Dec. 18	395,460	408,750	419,240	473,130		
Other sales					Dec. 18	2,051,060	2,236,990	2,250,120	2,195,750		
Total sales					Dec. 18	2,386,520	2,645,740	2,669,360	2,668,880		
Other transactions initiated off the floor—											
Total purchases					Dec. 18	380,040	446,310	379,500	562,100		
Short sales					Dec. 18	32,320	25,600	34,100	40,400		
Other sales					Dec. 18	304,280	405,840	403,840	500,160		
Total sales					Dec. 18	336,600	431,440	437,940	540,560		
Other transactions initiated on the floor—											
Total purchases					Dec. 18	826,595	881,108	1,005,310	902,500		
Short sales					Dec. 18	107,330	103,490	240,063	191,780		
Other sales					Dec. 18	788,220	792,482	1,073,473	915,514		
Total sales					Dec. 18	895,550	895,972	1,313,536	1,107,294		
Total round-lot transactions for account of members—											
Total purchases					Dec. 18	3,736,315	4,109,408	4,080,380	4,249,600		
Short sales					Dec. 18	475,110	537,840	693,403	705,310		
Other sales					Dec. 18	3,143,560	3,435,312	3,727,433	3,611,424		
Total sales					Dec. 18	3,618,670	3,973,152	4,420,836	4,316,734		
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE — SECURITIES EXCHANGE COMMISSION											
Odd-lot sales by dealers (customers' purchases) —†											
Number of shares					Dec. 18	1,802,745	1,916,269	1,959,235	1,832,249		
Dollar value					Dec. 18	\$92,607,588	\$97,462,821	\$101,064,443	\$107,754,083		
Odd-lot purchases by dealers (customers' sales) —											
Number of orders—Customers' total sales					Dec. 18	1,706,960	1,762,290	1,644,026	1,821,340		
Customers' short sales					Dec. 18	6,880	6,629	10,675	9,354		
Customers' other sales					Dec. 18	1,700,080	1,755,661	1,633,355	1,811,986		
Dollar value					Dec. 18	\$82,164,421	\$85,326,989	\$81,686,253	\$93,735,024		
Round-lot sales by dealers—											
Number of shares—Total sales					Dec. 18	464,070	476,610	425,630	596,790		
Short sales					Dec. 18	464,070	476,610	425,630	596,790		
Other sales					Dec. 18	550,650	640,360	738,900	618,110		
TOTAL ROUND-LOT STOCK SALES ON THE N. Y. STOCK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):											
Total round-lot sales—											
Short sales					Dec. 18	583,160	610,050	833,500	871,810		
Other sales					Dec. 18	16,097,920	17,059,770	17,098,380	19,203,650		
Total sales					Dec. 18	16,681,080	17,669,820	17,931,880	19,675,460		
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR — (1947-49 = 100):											
Commodity Group—											
All commodities					Jan. 5	118.9	118.8	119.0	119.3		
Farm products					Jan. 5	85.1	85.0	85.7	91.6		
Processed foods					Jan. 5	105.2	104.8	105.5	108.4		
Meats					Jan. 5	89.1	88.9	89.4	102.1		
All commodities other than farm and foods					Jan. 5	128.6	128.5	128.5	127.3		
AMERICAN GAS ASSOCIATION—For month of October:											
Total gas sales (M therms.)						5,931,100	5,500,500	5,605,000			

Impact of Tight Money on Utility Financing Costs

Continued from page 3

most \$10 billion since the beginning of 1959. During the same period of 1958, the increase was only about \$300 million. To obtain lendable funds, banks sold government securities. A decline of \$7 billion in their government holdings occurred during the first nine months of this year. This compared with an increase of more than \$6 billion in the 1958 period. The pressure on the market for short-term government securities is evident, and it occurred during a time when the government was selling more of these securities. Meanwhile consumer credit continues to increase and expenditures for plant and equipment by business in 1959 will be up an estimated 2.8 billion.

Of special concern has been the recent further deterioration of the international balance of payments of the United States. A \$4 billion deficit is now estimated for 1959. This means that payment for merchandise, military expenditures, government grants and other capital outflow have exceeded our receipts from exports and other sources. Actually, exports of merchandise continue to exceed imports. Thus, it is grants of money and other factors that have created the imbalance. The net result has been a continuing reduction in the supply of gold, a factor tending to reduce the lending capacity of our banking system.

Senior Money Costs

These are some of the causes of tight money and rising interest rates. It has been the unusual rate of increase in aggregate indebtedness that made money costs rise so sharply. Yields on public utility bonds are currently the highest since 1934 but still considerably lower than in earlier years. The prime loan rate at 5% since last September is well above the rate of the early 1930's when the demand for money was small.

Actually, in viewing the indicated cost of debt money, it is the after-tax "out-of-pocket" cost which is of major significance to the issuing company. While interest rates are currently at their highest level since 1934, the effective rate, after Federal income taxes, is now less than half the figure of 25 years ago. This naturally is attributable to the current 52% income tax rate compared with a rate of less than 14% in 1934. We are now so accustomed to high taxes that it is sometimes difficult to remember that it was not until 1940 that the corporate rate exceeded 20%.

Since our entire economy, as well as money costs, is influenced by the capital needs of the Federal Government, the nature of the debt of the government and the interest rates on this debt are of fundamental importance. The marketable debt of the government totaled \$178 billion at the close of fiscal 1959, about \$28 billion higher than five years earlier. The government has primarily financed its deficits by Treasury bills and certificates. This policy is inflationary since short-term issues are purchased in large quantities by commercial banks. Payment to the government is made by creating deposits for the Treasury, thereby adding directly to spendable funds. As a consequence, the government now finds itself in the difficult position of having over 40% of the marketable debt maturing within one year.

The present average interest rate on the government's marketable debt is about 2.9%, which is just not indicative of current Treasury costs. Last October a 5% coupon was required to market about a 5-year note. In ob-

serving recent yields of Treasury issues with varying maturities from one to 15 years, it may be noted that higher yields prevailed at the shorter maturities. Without an analysis, this would indicate that investors are prepared to lend their money for long periods at a smaller interest rate than for shorter-term loans. Therefore, this yield curve is the opposite of what we might expect. This paradox is due to factors influencing both the short- and long-term maturities. Shorter-term yields are high because of a "congested" condition that presently exists. The Treasury has been issuing a substantial amount of short-term obligations. At the same time, banks and others have been liquidating holdings with similar maturity dates to reinvest the proceeds in higher yielding paper. Longer-term issues are at lower yields because they are held by more "genuine" investors who are not in and out of the market so frequently. Furthermore, due to the discount prices of the longer-term maturities, a portion of the return is taxable as a capital gain rather than ordinary income. Thus it is clear that it would be currently impossible for the government to issue a long-term bond at the present statutory ceiling of 4 1/4%. Moreover, a new issue at par would probably require a higher interest rate than the present going yield.

The impact of all of these factors upon interest rates required to market bonds of utility companies is well recognized. Nevertheless, a review of the record of the past 10 years may be of value. The record, of course, shows the present relatively high level of yields. Of more interest is the spread between new offering yields and yields on previously outstanding or seasoned bonds when the general money market becomes tight. Since yields on seasoned issues reflect only occasional sales of small blocks contrasted with substantial amounts of new offerings, this spread is only natural. This was particularly in evidence in 1953 and 1957, and the same situation also prevails currently.

Before leaving the subject of debt money, there is another point that deserves attention. It has occasionally been stated that the debt ratio of the electric utility industry has been increasing fairly rapidly. We do not believe that the facts actually support this viewpoint or that the present ratio is high. During the 10 years from 1949 to 1958 investor-owned electric utilities sold approximately \$11.4 billion of long-term debt securities. This amounted to 66% of total new money financing by the industry in those years. Despite bond issues of this magnitude, the debt segment of total capitalization only rose from 49.1% at the end of 1948 to 52.4% in 1958. Meanwhile the preferred stock component of capitalization declined by an amount approaching the increase in debt.

Preferred Stocks Costs

Nineteen fifty-nine has not even been a normal year with respect to preferred stock financings. Ordinarily, the cost of raising new preferred stock money will trend with bond interest rates, with a spread to reflect the difference in risk. Before considering extraordinary factors now bearing on preferred stock costs, let's first take a look at the record.

An analysis of new offering yields of electric utility preferreds during the last 10 years compared with representative averages of seasoned preferred stocks shows that while yields on seasoned issues have not fluctuated too substantially, there have been wide changes in the individual new issue yields. Furthermore, there is no definite relationship between new issue yields and "going yields" as expressed by averages other than that the new issue yields are higher. This is to be expected in a period of rising money costs.

In the past 10 years about 12% of the new money raised by investor-owned electric utilities consisted of preferred stock money. When money is tight the market for preferreds has been known to "dry up." In 1957, for instance, when money costs rose, only 10 electric preferred issues were marketed. They totaled about 4% of the new money raised that year. For the entire year 1959, it is estimated that preferreds will represent about 5% of total new money financing by the electric utility industry.

More recently a new and intriguing development involving preferred stock financing has occurred. Since enactment of The Life Insurance Company Income Tax Act of 1959, renewed interest has been created in preferred stocks as investments for life insurance companies. A new and complicated formula for determining taxable investment income for these companies has placed a premium on dividend income as compared to interest income. The exact impact of the law on any particular insurance company will depend upon the nature of its investments. It will also be influenced by the extent of the company's group annuity business. The law provides for eventual tax exemption of investment income on pension plan reserves of life insurance companies.

A recent example of the impact of this development upon relative financing costs will illustrate this point. Last October, Northern Natural Gas Company sold a preferred stock issue to the public on a 5.60% basis. At the same time the U. S. Treasury was marketing a 5% note. The spread between the two was unusually small when considering the different qualities involved. Two years earlier, when money was not as tight, a Northern Natural preferred was sold on a 5.80% basis. Both issues contained similar sinking fund provisions. We have also observed quite a narrowing in the yield spread between bond and preferred stock averages.

In estimating near future preferred stock financing costs, it is now desirable to determine the relative values of dividend and interest yields to life insurance companies.

Cost of Common Stock Capital

The outlook for common stock capital costs is a subject really entitled to a separate presentation. It should give consideration to general stock market trends, shifting emotions and philosophies of investors, relative costs among industries and different types of securities, and the nature of the flow of funds into equity securities. While it is impossible to deal with all of these matters at this time, I do want to give some of our thoughts on this very important subject.

A good starting point would be to consider a very popular topic, a comparison of bond and common stock costs. The historical spread between higher yielding common stocks and lower yielding bonds has continuously narrowed until 1958 when this position was reversed. In fact, the present spread between the earnings-price ratio and bond yields is not too different from the spread between bond and stock yields of about three years ago. While the cost of common stock money properly involves consideration of the historical earnings-price ratio, the fairest indicators of such costs are future earnings and dividends.

Where does this bond-stock

yield relationship go from here? Will the historical relationship return? Why should investors prefer lower yielding stocks to bonds? Let's see if a little more evidence can permit some reasonable conclusions.

To obtain this additional evidence requires a determination of just how an investor in utility stocks is faring. Sometimes it is maintained that investors in utilities have not been doing well when contrasted with the performance of industrial stocks. This viewpoint is sometimes documented by a comparison of industrial and utility stock averages. However, despite the better performance of the former, many of the most informed investing groups hold substantial amounts of utility stocks. Consequently, the question arises whether proper conclusions can be drawn by comparing the performance of industrial and utility stock averages without considering the composition of these averages.

Superior Utility Stocks' Performance

To reach some conclusions, we have compiled a new common stock average. It consists of the 15 electric companies with at least a 10-year market price record which were represented at Ebasco's Annual Executives' Conference in 1958. A weighted average was compiled with adjustments made for stock splits and stock dividends. The record shows that the market performance of this group since 1950 was substantially better than representative averages of either industrial or utility stocks. A rise of 257% occurred on a per share basis, adjusted for splits and stock dividends. Now, while a carefully selected group of so-called "growth" industrials would probably show a larger gain, this record is most impressive. Moreover, the stocks in our average have not been individually selected.

Just how good this performance has been is shown by the following figures. Since 1950 the average of these companies had a compounded annual rate of increase of 14 1/2% in common stock market price per share, 7% in dividends per share, and 6 1/4% in earnings per share. This record has been superior in all three categories to the performance of recognized industrial or utility stock averages. With these increases, it is really surprising to have lower yields on common stocks than bonds? As a cautionary note, it should be remembered that more than half of the price increase during the period from 1950 to 1959 stemmed from the willingness of investors to increase the rate of appraisal of earnings—in other words, from a rise in the price-earnings ratio. It does not appear reasonable to believe that this trend will continue indefinitely. Surely one of the major future imponderables is the frequently changing psychology of investors.

Conclusion as to Outlook

At this point I should like to look ahead a bit. Although predictions at best constitute a hazardous occupation, I want to give our views with a minimum of hedging.

The demand for both long-term and short-term investment funds in 1960 should continue at a very high level. Expenditures by business for plant and equipment should be at an increasing rate. The impact of the steel strike will influence inventory build-up well into 1960. Certain financings that were delayed due to sharply rising interest rates this past fall may have to come to market and this might cause some temporary congestions on the calendar. Consequently, it is difficult to foresee anything other than higher in-

terest rates during the first half of 1960.

Nevertheless, it is our view that, by the end of 1960, interest rates may be easier than the condition existing during earlier portions of the year. It is clear, though, that money in 1960 will generally be in tight supply.

Our thoughts concerning the possibility of somewhat lower interest rates later in '60 are influenced by various factors. The recent sharp rate of increase of aggregate indebtedness should not continue throughout the year. It had been encouraging to hope for a balanced Federal budget for the year ended next June contrasted with the recent \$12.5 billion deficit. However, the impact of the steel strike may now be working against this hope. Actually, we think that as June draws to a close, the government will be very much in the position of some of our good industrial friends who look hard for year-end adjustments to improve their picture. Moreover, it is reasonable to expect the President's budget message this month to forecast at least a small surplus for the fiscal year ended June 1961.

We believe that Congress will again be asked to raise the 4 1/4% interest ceiling on government issues with a 5-year and longer maturity. If this is accomplished it will relieve the pressure on shorter-term maturities. While it may temporarily increase competition for longer-term investment funds, greater flexibility on the part of the Treasury should be helpful since it would retard inflationary pressures. In addition, the relatively high cost of money may become a campaign issue, and political considerations may have a substantial impact upon the future of interest rates. Through it all, however, the Federal Reserve may be expected to be primarily interested in combating inflation and the maintenance of sound credit policies.

Certain impressive corrective steps are being taken by the government to improve the balance of payments. This is encouraging even though the problem may not be solved in the near future. These steps include:

- (1) Pressure on European countries to remove import restrictions.
- (2) An increasing effort to have more participation by European countries in loans to underdeveloped countries.
- (3) A new requirement of The Development Loan Fund, and possibly of the I. C. A., that loans to underdeveloped countries normally be spent on American goods. In reality, the past outflow of gold is more evidence of strength and recovery abroad than weakness here.

Looking further ahead during the next decade, construction expenditures of \$45 billion are estimated for the investor-owned electric industry and \$28 billion for the gas industry. This indicates the need for large amounts of new money during the 1960's. Despite this, we are confident that if rate increases are aggressively applied for as needed, the future growth of the industry indicated by these figures will continue to make utility securities attractive.

*Based on a talk by Mr. Schlesinger before the Thirtieth Annual Executive Conference of Ebasco Services Inc., New York City.

Seminole Securities

PITTSBURGH, Pa. — Akiba Silberberg is now conducting his investment business under the firm name of Seminole Securities Co. Offices are maintained in the Bessemer Building, and a branch is located at 1627 K Street, Washington, D. C.

STATE OF TRADE AND INDUSTRY

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there is a lot of talk about no price increase before then.

This is not necessarily the case, the magazine says. Steel companies face immediate cost increases due to immediate boosts in fringe benefits.

However, price hikes in steel will not necessarily be applied "across the board" when they do come, "Iron Age" says. It is possible some companies will raise prices several months before others do. The metalworking magazine notes that a dual price system has existed in the past when the market has been tight. And the present market is strong enough to support such prices.

First price increases will undoubtedly come in products in shortest supply — sheet and strip. These types of steel are used extensively for consumer durable goods such as automobiles and appliances.

One automaker has already gone on record that it would increase its prices if the price of steel goes up. Others would probably follow such a lead. However, one event could keep higher material costs from showing up in 1960 model cars. If there is no steel price increase until mid-summer, it's unlikely automakers would boost prices so near the end of their model year. The increase would then be tacked onto next year's cars, "Iron Age" says. Settlement with the major steel producers hasn't solved all of the labor problems of all of the steel producers. A significant number operated during the strike under contract extensions.

Extension agreements contained provisions for applying economic benefits of the new contract retroactively. However, the new contract doesn't provide for an immediate wage increase. Instead, the companies have taken over payment of life, accident and health insurance programs.

As an equivalent to these payments, the union is asking, generally, lump sum payment of 8 cents an hour for each hour worked under extensions.

Steelmakers to Go on Production Boom With Labor Peace Assured

Steelmakers will go on a production spree in the first half and pour a record 70 million tons of steel now that labor peace is assured, "Steel," the metalworking weekly, predicted.

Demand from major users — automotive, construction, appliances, and containers — is strong and most steel users want to rebuild stocks to normal levels.

Steelmakers' efforts to ship at capacity are being hindered by a shortage of trucks and trailers. Steel buyers in out-of-the-way places can expect some trouble in getting early deliveries.

Last week, steelmakers operated their furnaces at 95% of the industry's 1960 capacity, producing 2,707,000 tons. The 1960 annual capacity of 148,570,970 tons, is up 1.9 million tons from 1959's.

The prospect of record spending for capital equipment signals a busy — and profitable — year for makers of equipment used by the metalworking industries.

Metalworking plans to order \$5.65 billion worth of equipment in the coming 12 months — 24% above last year's purchases, according to a survey of metalworking companies by "Steel." The bulk of the orders will be placed in the first half. For nine types of equipment, here's how the dollar volume of orders in the first half of 1960 will compare with that of 1959's last half:

Steelmaking equipment, up 51%.
Foundry equipment, up 10%.
Machine tools, up 18%.

Material handling equipment, up 20%.

Joining and assembly equipment, up 19%.

Testing and inspection equipment, up 23%.

Cleaning and finishing equipment, up 52%.

Heat treating equipment, up 14%.

Presses and press brakes, up 19%.

Most metalworkers think they'll experience a banner year with no serious shortages of steel or any other material to worry about in 1960. But 45 out of 50 executives interviewed by "Steel" think steel prices will be raised eventually.

"Steel" believes across the board boosts in quotations are unlikely before next Dec. 1 when the first wage increase goes into effect. But selective raises will come before then. Extra charges also may be increased. Specialty items requiring a lot of production manhours are prime candidates for early action.

Not all steel products may be affected. Competition from aluminum may discourage increases in stainless steel. Prices of barbed wire, nails, and fence can not be hiked because foreign producers are underselling American makers now.

Nonferrous prices will be influenced by the steel settlement as well.

The scrap industry expects 1960 to be a good year, but it continues to be concerned about the downward trend in purchased scrap brought about by technological advances in steelmaking. For example, the ratio of scrap consumption to steel production was 39% in 1956. It is expected to drop to 27% in 1960.

"Steel's" price composite on steelmaking scrap last week held at \$41.33 a gross ton. Market sentiment, however, has been buoyed by the steel labor peace.

Steel Output Based on 95.3% of Jan. 1, 1960 Capacity

The American Iron and Steel Institute announced that the operating rate of the steel companies will average *169.0% of steel capacity for the week beginning Jan. 11, 1960, equivalent to 2,715,000 tons of ingot and steel castings (based on average weekly production of 1947-49). These figures represent no change from the actual levels achieved in the week beginning Jan. 4. [ED. NOTE: The strike in the steel industry which began July 15 was ended by mutual agreement on Tuesday, Jan. 5.]

Actual output for the week beginning Jan. 4 was equal to 95.3% of the utilization of the Jan. 1, 1960 annual capacity of 148,570,970 net tons. Estimated percentage for this week's forecast, based on that capacity, is 95.3%.

A month ago the operating rate (based on 1947-49 weekly production) was *169.7% and production 2,726,000 tons. A year ago the actual weekly production was placed at 2,111,000 tons, or *131.4%.

*Index of production is based on average weekly production for 1947-49.

Auto Industry Set for 37-Month Production High

The auto industry backed up plans for a 37-month production high last week with reports of a surge in year-end retail sales on both the new and used car fronts, Ward's Automotive Reports said.

The statistical agency said Dec. 21-31 new car sales jumped 31.7% above Dec. 11-20, with used car buying up 8%, ending the drought in showroom traffic resulting from the now settled steel dispute.

Ward's said the 148,200 new cars retailed in the December close-out period was the highest since late October. The resultant average of 16,467 sales daily was 31.7% above Dec. 11-20 when the

rate was 12,500 daily on the strength of 100,000 deliveries. October ended with new car sales averaging 18,800 a day.

The reporting service counted 361,700 domestic built new car sales for entire December compared with 374,700 in November and 526,700 in October. It said compact cars totaled 257,000 sales in the fourth quarter, with the December volume of 86,700 being featured by Ford Falcon sales at 99.3% of the Rambler level.

It added, that the industry ended 1959 with new car inventories of 575,000 units slightly above forecast. GM Corp., showing good strength, bit off 45.5% of Dec. 21-31 sales, Ford Motor 30.6%, Chrysler Corp., 14.2% AM Corp., 7.1% and S-P Corp., 2.6%.

According to Ward's passenger car production is expected to reach a 37-month high of 162,952 units for week ended Jan. 9. This is the heaviest turnout since 167,567 cars were assembled during the week ending Dec. 8, 1956.

Ward's said compact cars accounted for an estimated 36,000 units or 22% of last week's industry output. This compares with 24,197 units which accounted for 21% of last week's passenger car production (112,113).

If the industry continues its present daily production rate of about 32,500 units, Ward's said, January output would result in an estimated 650,000-plus car assemblies. Heavy Saturday work schedules, which are almost certain to occur during the month, would boost January production to the expected level of 700,000 units.

Carloadings Show 3.2% Gain Above 1959 Week

Loading of revenue freight for the week ended Jan. 2, 1960, totaled 483,012 cars, the Association of American Railroads announced. This was an increase of 14,793 cars or 3.2% above the corresponding week in 1959, and an increase of 10,728 cars or 2.3% above the corresponding week in 1958.

Loadings in the week of Jan. 2, were 14,260 cars or 3.0% above the preceding week.

Electric Output 5.6% Above 1959 Week

The amount of electric energy distributed by the electric light and power industry for the week ended Saturday, Jan. 9, was estimated at 14,308,000,000 kwh., according to the Edison Electric Institute. Output was 883,000,000 kwh. above that of the previous week's preliminary total of 13,425,000,000 kwh. and showed a gain of 754,000,000 kwh., or 5.6% above that of the comparable 1959 week.

Lumber Shipments Reflect 28.1% Jump Over 1959 Week

Lumber shipments of 461 mills reporting to the National Lumber Trade Barometer were 11.4% above production during the holiday week ended Jan. 2, 1960, and 28.1% higher than in the same week in 1959. In the same week new orders of these mills were 6.3% below production. Unfilled orders of reporting mills amounted to 39% of gross stocks. For reporting softwood mills, unfilled orders were equivalent to 20 days' production at the current rate, and gross stocks were equivalent to 47 days' production.

For the year-to-date, shipments of reporting identical mills were 0.6% below production; new orders were 0.3% below production.

Compared with the previous (holiday) week ended Dec. 26, 1959, production of reporting mills was 2.7% below; shipments were 9.6% above; new orders were 22.1% below. Compared with the corresponding week a year ago, production of reporting mills was 21.6% above; shipments were

28.1% above; and new orders were 16.9% below.

Business Failures Up Moderately

Commercial and industrial failures increased to 242 in the week ended Jan. 7 from 226 in the preceding week, reported Dun & Bradstreet, Inc. Despite this rise, casualties were considerably lower than the 321 in the similar week of last year and the 324 in 1958. Also, mortality was down 22% from the prewar level of 312 in the comparable week of 1939.

Failures with liabilities of \$5,000 or more rose to 216 from 200 in the previous week, but remained noticeably below the 282 of this size last year. Small casualties, those involving liabilities under \$5,000, held steady at 26, the same as a week earlier, and compared with 39 in the corresponding week of 1959. Liabilities ranged above \$100,000 for 23 of the week's failures as against 26 in the preceding week.

Wholesale Food Price Index Lowest Since November 1949

A fractional decline this week brought the wholesale food price index, compiled by Dun & Bradstreet, Inc., to the lowest level since November 1949. On Jan. 5, the index fell 0.7% to \$5.70 from \$5.74 a week earlier, and it was 8.7% below the year ago \$6.24. The current level was the lowest since Nov. 14, 1949 when it was \$5.68.

Higher in wholesale cost this week were flour, corn, lard, coffee, cottonseed oil, cocoa, peanuts, potatoes, steers and hogs. Commodities quoted lower were rye, oats, hams, butter, sugar, eggs and raisins.

The index represents the sum total of the price per pound of 31 raw foodstuffs and meat in general use. It is not a cost-of-living index. Its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Price Index Down Appreciably

Reflecting lower prices on lard, sugar, hides, rubber, and steel scrap, the general commodity price level fell appreciably in the latest week. The Daily Wholesale Commodity Price Index, compiled by Dun & Bradstreet, Inc., stood at 273.63 (1930-32=100) on Jan. 11, compared with 275.91 a week earlier and 274.41 on the corresponding date a year ago.

Trading in most grains edged up slightly during the week, and prices finished fractionally higher. Although volume in corn showed little change from the prior week, offerings were limited and prices moved higher. Limited supplies helped rye prices climb moderately, but trading was unchanged.

There was a fractional decline in wheat prices despite active trade and lower offerings. Increased buying at the end of the week helped oats prices move up somewhat from a week earlier. Soybeans prices were steady influenced by light offerings and increased activity in the oil and meal markets.

Activity in most sugar markets showed little change from a week earlier and prices were down somewhat. Both domestic and export buying of flour was sluggish and prices remained close to the prior week.

Rice prices were steady despite increased domestic and export buying. Pakistan contracted for sizable quantities of rice and business from Cuba was expected shortly. Coffee trading moved up appreciably during the week and prices were slightly higher. There was a slight rise in cocoa prices at the end of the week following a moderate rise in purchases.

Hog receipts in Chicago advanced appreciably from the prior week; trading was up moderately and prices were slightly higher. Increased receipts stimulated in-

terest in steers and prices advanced somewhat. Although lamb receipts dipped appreciably, buying was steady and prices rose fractionally. In contrast to the rise in hog prices, lard prices dipped moderately from the prior week.

Although trading on the New York Cotton Exchange expanded during the week, prices were fractionally lower. Exports of cotton for the current season through Jan. 5 were estimated at 2,088,000 bales, compared with 1,243,000 bales in the comparable period last season.

Clearance Sales Help Retail Trade Exceed Year Ago

Traditional January clearance sales promotions stimulated consumer buying this week, and over-all retail trade was up appreciably over the similar week a year ago. Shoppers were most interested in furniture, television sets, linens and women's winter apparel. With dealer stocks a little more plentiful, sales of new passenger cars rose substantially from a week earlier and were close to a year ago, according to scattered reports.

The total dollar volume of retail trade in the week ended this Wednesday was 4 to 8% higher than a year ago, according to spot estimates collected by Dun & Bradstreet, Inc. Regional estimates varied from the comparable year earlier levels by the following percentages: New England and Mountain +6 to +10; Middle Atlantic +5 to +9; East North Central and West North Central +4 to +8; South Atlantic and East South Central +3 to +7; Pacific Coast +2 to +6; West South Central +1 to +5.

Merrill Lynch Office

ROCHESTER, N. Y. — Merrill Lynch, Pierce, Fenner & Smith Incorporated has opened a branch office at 31 Main Street, East, under the direction of Edward C. Roth.

DIVIDEND NOTICES

REGULAR QUARTERLY DIVIDEND

The Board of Directors has declared this day COMMON STOCK DIVIDEND NO. 102. This is a regular quarterly dividend of

25¢ PER SHARE

Payable on February 15, 1960 to holders of record at close of business January 20, 1960

Milton C. Baldridge
Secretary
January 7, 1960

THE COLUMBIA GAS SYSTEM, INC.



COMMON DIVIDEND No. 107

The Board of Directors today declared the following dividend:
22½ cents per share on the Common Stock, payable March 15, 1960 to stockholders of record at the close of business February 15, 1960.

The Goodyear Tire & Rubber Co.
By Arden E. Firestone,
Secretary
January 12, 1960

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BEHIND-THE-SCENES INTERPRETATIONS
FROM THE NATION'S CAPITAL

WASHINGTON, D. C.—The Presidential campaign is under way, and it is going to get spirited by the time the sap begins to flow in the springtime. It will be feverish by the Fourth of July, if not before.

As of now there appears to be no doubt that Vice-President Richard M. Nixon will be the Republican nominee, unless some dramatic development occurs. The big question in Washington, unanswered of course, is: Whom will the Democrats nominate?

No one knows, of course, but there is more and more speculation behind the stage in the Nation's Capital to the effect that unless Senator John F. Kennedy of Massachusetts grabs off the nomination early at the Los Angeles convention in July, Senator Stuart Symington of Missouri is likely to get the nomination.

The Senator from the "Show Me" state is already being described by some as the "Missouri Compromise."

Meantime, John Kennedy, Harvard educated and the only Catholic to make a major bid for the Presidency since Al Smith in 1928, is the most popular Yankee political figure in the South today. Although Governor Smith lost four Southern States, he rolled up his greatest strength in Dixie.

Opening Gun

The Democrats are getting ready to kick off their 1960 Presidential campaign in the Nation's Capital, Saturday night, Jan. 23, at Washington's largest banquet hall at the Sheraton Park Hotel. Approximately 2,400 Democrats will attend the \$100-a-plate dinner.

It promises to be the biggest political shindig between now and the National Convention. At least seven Democratic hopefuls, and probably more, will speak. Former President Harry S. Truman of course will be present. Although he is not listed as a speaker, more than likely he will have a blast or two to deliver at the Republicans.

In addition to Senators Symington and Kennedy, other speech-making hopefuls will be Senators Lyndon B. Johnson of Texas; Hubert H. Humphrey of Minnesota; Governors Edmund "Pat" Brown of California; Robert Meyner of New Jersey, and G. Mennen "Soapy" Williams of Michigan.

Former Governor Adlai E. Stevenson of Illinois, the Democrats' standard bearer in 1952 and again in 1956, will be there. Although he isn't listed for a speech, he unquestionably will be heard from. It may be that Mr. Stevenson will be the party's nominee for a third time, but there is growing doubt in Washington that he will get the nomination.

Chapman-Bowles Toastmasters

One of Former President Truman's cabinet officers, Oscar Chapman, is heading the big dinner. Mr. Chapman will be the toastmaster in one of the banquet halls, and Representative Chester Bowles of Connecticut, will be the toastmaster in the adjoining hall. Ex-Governor Bowles, a liberal, would like very much to have the nomination himself.

There is a report in Washington that Connecticut's convention delegates are expected to go along with Senator Kennedy on the first ballot or two. Then they may switch to Mr. Bowles, said an authority on Connecticut politics as he speculated about the future.

The Running Mates?

What about a Democratic Vice-Presidential candidate? This question is asked over and over again, not only about the Democratic prospects, but about the Republican Vice-Presidential prospects. It is entirely too early to come up with any solid prospects.

However, it is reasonably certain that the Democrats are not going to nominate two United States Senators regardless of the geography they may represent in the Congress.

Perhaps one of the best Vice-Presidential prospects in the Democratic camp at this time is Governor Leroy Collins of Florida. Governor Collins, who is fairly liberal, has been Chairman of the National Governors Conference, and has also been Chairman of the Southern Governors Conference.

The chief executive of the fast-growing Southern state would not be in the picture at all, of course, if Senator Majority Leader Lyndon B. Johnson of Texas should get the nomination. Obviously the professional politicians, who control the political conventions, would not take two men from the same part of the country. They like to spread the geography on the ground that it is good politics.

Vice-President Nixon's running mate, assuming he is the Republican nominee, certainly will not be a Far Westerner. He might be a Mid-Westerner like House Minority Leader Charles Halleck of Indiana or



"They discussed the impact of world affairs on the stock market—the government's fiscal policy—and the shape of that redhead in the building across the way."

an Easterner like William Pierce Rogers of New York.

GOP Dinner Set

The Republicans are getting ready to put on their own big dinner in the Nation's Capital on Jan. 27. There will be 80 similar fund-raising Republican banquets across the country. Each will be addressed by President Eisenhower who will speak from Los Angeles via a closed television circuit. Most of the dinners will be \$100-a-plate, but some will be \$50 and \$25 a plate, depending on the locality.

[This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.]

Howe-Kreunen Branch

MILLINGTON, Tenn. — Howe-Kreunen Company has opened a branch office at 7820 Sherman Road under the direction of Henry F. Haeling.

Loeb, Rhoades Branch

KINGSTON, N. Y.—Carl M. Loeb, Rhoades & Co. has opened a branch office at 336 Clinton Ave. under the management of Frank Hoornbeek.

Brown & Co. in Boston

BOSTON, Mass.—Brown & Co. is now conducting its investment business from offices at 8 Beach Street. George A. Brown is a principal.

Businessman's BOOKSHELF

Credit Manual of Commercial Laws, 1960—Edwin B. Moran, W. Randolph Montgomery, William C. Porth and Ernest A. Rovelsstad, editorial board—National Association of Credit Management, 229 Park Avenue South, New York 3, N. Y. (cloth), \$12.00.

Federal Budget and "The General Welfare"—Conference on Economic Progress, 1001 Connecticut Avenue, N. W., Washington 6, D. C. (paper), 50¢ (quantity prices on request).

Ford Foundation Annual Report, 1959—The Ford Foundation, 477 Madison Avenue, New York 22, N. Y. (paper).

Interstate Commerce Commission—73rd Annual Report for the Fiscal Year ended June 30, 1959—Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C. (cloth), \$1.75.

State of the Dollar—An excerpt from the Report of the Chairman of the Advisory Committee on Special Activities, presented at the 1959 Convention Meeting—Advisory Committee on Special Activities, The American Bankers Association, 12 East 36th Street, New York 16, N. Y. (paper).

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COMING EVENTS IN INVESTMENT FIELD

Jan. 15, 1960 (Baltimore, Md.) Baltimore Security Traders Association 25th annual Mid-Winter Dinner.

Jan. 20, 1960 (Kansas City, Mo.) Kansas City Security Traders Association annual Winter Dinner at University Club.

Jan. 20, 1960 (Philadelphia, Pa.) Philadelphia Securities Association annual meeting and dinner at the Hotel Barclay.

Jan. 25, 1960 (Chicago, Ill.) National Security Traders Association National Committee meeting at the Ambassador West.

Jan. 25, 1960 (Chicago, Ill.) Security Traders Association of Chicago, Inc. Mid-Winter Party at the Guild Room of the Ambassador West.

Feb. 1-2, 1960 (Dallas, Texas) Association of Stock Exchange Firms meeting of Board of Governors at Sheraton Dallas Hotel.

Feb. 3, 1960 (Detroit, Mich.) Bond Club of Detroit annual winter party at Sheraton Cadillac Hotel.

Feb. 12, 1960 (Boston, Mass.) Boston Security Traders Association Winter Dinner.

Feb. 19, 1960 (Houston, Tex.) Stock and Bond Club of Houston annual outing at the Brae Burn Country Club.

Feb. 19, 1960 (Philadelphia, Pa.) Investment Traders Association of Philadelphia 36th annual Mid-Winter dinner at the Bellevue-Stratford.

Mar. 25-26, 1960 (Chicago, Ill.) Chicago Chapter American Statistics Association & Chicago Association of Commerce & Industry 7th annual Mid-West Conference at Congress Hotel.

April 10-11-12, 1960 (Dallas, Tex.) Texas Group of Investment Bankers Association of America 25th annual meeting at the Sheraton Dallas.

April 8, 1960 (New York City) New York Security Dealers Association 34th annual dinner in the Grand Ballroom of the Hotel Biltmore.

May 9-10, 1960 (Atlanta, Ga.) Association of Stock Exchange Firms meeting of Board of Governors at Hotel Atlanta Biltmore.

June, 1960 (Detroit & Michigan) Security Traders Association of Detroit and Michigan Summer outing at Western Golf & Country Club.

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